DOCUMENT RESUME

ED 274 254 HE 019 694

TITLE	Oversight Hearing on the Reauthorization of the Higher Education Act of 1965. Hearing before the Subcommittee on Postsecondary Education of the Committee on Education and Labor. House of Representatives, Ninety-Ninth Congress, First Session (Portland, Maine).
INSTITUTION	Congress of the U.S., Washington, D.C. House Committee on Education and Labor.
PUB DATE	24 Sep 85
NOTE	99p.; Serial No. 99-65. Portions of document contain small print.
PUB TYPE	Legal/Legislative/Regulatory Materials (090)
EDRS PRICE	MF01/PC04 Plus Postage.
DESCRIPTORS	Access to Education; Credit (Finance); *Eligibility; *Federal Aid; *Federal Legislation; *Financial Aid Applicants; Financial Support; Government School Relationship; Hearings; Higher Education; Income; Loan Repayment; Student Costs; *Student Financial Aid; *Student Loan Programs
IDENTIFIERS	Congress 99th; Guaranteed Student Loan Program; *Higher Education Act 1965; Maine; Parent Loans for Undergraduate Students Program; Pell Grant Program; TRIO Programs

ABSTRACT

Hearings on reauthorization of the Higher Education Act of 1965 that were held in Portland, Maine, in 1985 are presented. It is noted that in Maine, which is a rural state, family income is low and 56% of its students depend on federal financial aid programs. Specific concerns include: how costs at the University of Maine system compare with costs of other state universities; the effects of student costs at Maine's state colleges on the need for student aid; proposals to consolidate loans and structure repayment on a graduated rather than a flat rate basis; the heavy indebtedness that professional students incur; proposals for loan deferments for individuals who become teachers or lawyers who enter public sector positions; a proposal to increase the Parent Loans for Undergraduate Students Program from $3,000 to $4,000 per student per academic year, up to a total of $20,000 as an aggregate limit; the Reagan Administration's proposed 53% cut in TRIO programs, which assist bright, low-income students realize their academic potential; characteristics of loan defaulters, including the underemployed and unemployed; a recommendation to simplify Title IV of the Higher Education Act; and a proposal to allow for inflationary increases in the Title IV programs to keep up with increases in college costs. (SW)

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

ED274254

HEARING

BEFORE THE

SUBCOMMITTEE ON
POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

HEARING HELD IN PORTLAND, ME, SEPTEMBER 24, 1985

Serial No. 99-66

Printed for the use of the Committee on Education and Labor

HE019192

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

TUESDAY, SEPTEMBER 24, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Portland, ME.

The subcommittee met, pursuant to notice, at 10:20 a.m. in room 302, University of Southern Maine School of Law, Center for Research and Advanced Study, 246 Deering Road, Portland, ME, Hon. William D. Ford presiding.

Members present: Representatives Ford and McKernan.

Staff present: Maryln McAdam, legislative associate; Kristin Gilbert, clerk; and Margo Greep, Congressman McKernan's legislative assistant.

Dr. WOODBURY. Let me welcome you all to the hearings of the subcommittee of the House Committee on Labor and Education. And, particularly, it is a pleasure for me to welcome Congressman William Ford and, of course, Congressman McKernan. It is nice to have you with us today, and we appreciate your taking the time to hear points of view of people from the State of Maine.

I would like to say as part of the introduction, I do not think there is any question among anybody in this room of how critical the Higher Education Act, and, particularly, title IV, is to the citizens of the State of Maine. So it is really a pleasure to have you here with us and I hope you will stay, and Congressman Ford, I hope you will come back again.

Mr. FORD. Thank you very much. It is a real pleasure to be up here. It is not the easiest time of the year to depend on air transportation. But, my schedule has been easier than Jock's today. He has told me where he has been already this morning. I drive from one end of my district to the other and it takes me one-half hour.

Mr. MCKERNAN. Rub it in.

Mr. FORD. I am pleased to convene this, the 34th hearing on Reauthorization of the Higher Education Act. And this is the last of our regularly scheduled hearings, and when I say that, it is because now all of the interest will be on the serious business of writing the bill. I am particularly pleased to be able to join our colleague, Jock McKernan, in his district here at the University of Southern Maine. Although he joined our committee for the first time in this session of Congress, he has already demonstrated that he has a very active interest and has taken the time to be an active

participant in the consideration of programs under the subcommittee's jurisdiction. And I know very well that he is going to be playing a very important role in fashioning the reauthorization of the Higher Education Act. We will begin our markup next month.

Very shortly I am going to be going to Texas, I think, around the first of November, for an interesting ceremony celebrating the 20th anniversary of the signing of this law by President Johnson. Since he went back to his own school at Southwest Texas University to do it, that is where the program will be, and we have a number of the people who, from both parties, participated at that time who will be down there. And all during this reauthorization, I have been trying to realize that we have had 20 years of experience with this legislation, and also to realize how much we have changed. At least I have changed my thinking over those 20 years, and how much we have each time that it has been up for reauthorization changed the law. In its early stages we started out reauthorizing it every year or two—which made little or no sense at all—and finally in 1979 and 1980, when I had the pleasure of chairing this subcommittee, we were able to authorize programs for 5 years. And they will all expire at the end of next year, because we put a 1-year automatic extension in all of these authorizations to take care of the problem that comes up with the odd year/even year problems of getting things done in the Congress. So, we are under great pressure at the moment to try to move this legislation through the House of Representatives before adjournment this fall or this winter, whenever that happens.

And the Senate apparently is going to wait as they have in the past. It has become traditional over the years, regardless of which party is in charge over there, to let the House move first on higher education legislation. They react to our initiatives, and then we end up sometime next summer in the conference between the House and Senate and try to reason with them to convince them that we were right, and any changes they want to make are wrong, but in any event, we hope that long before this time next year we will have completed this and the President will have signed it into law and we can make sure that the programs will continue for again another 5-year cycle.

At this time I would like to ask our host at this hearing, and the principal reason for this hearing, if he would like to make any opening remarks before the conference.

Mr. McKERNAN. Thank you, Mr. Chairman. I will be very brief. I want to apologize for the late start. I remember when I first ran for office, I was taking my son to have his hair cut on Congress Street here in Portland. We were late and I was dragging him across the street saying, "Hurry up, we're going to be late." He looked at me, and said, "Dad, they're not going to start without me." [Laughter.]

I explained to him that was not the point. [Laughter.]

I do apologize, but apparently the 22 minutes flying time they promised me to Rockland was not the same as the time it was going to take to fly back into the headwinds, so I am a little later than I planned.

I want to welcome Chairman Ford. There is nobody who cares more about higher education. Frankly, there is nobody in this

country who knows more about the funding of higher education than the man sitting on my left. As he said, he has been involved in this issue for years and years. He takes that job very seriously. In fact, he has been all over the country in the past 6 months conducting field hearings, in addition to the hearings that we have had in Washington. He realizes that it is important to get out and hear what people have to say in various parts of the country and not just in Washington. I think it has made a big difference. Frankly, the reason that I wanted to be on the Education and Labor Committee was because I knew that the chairman would be spending a great deal of time on the reauthorization of the Higher Education Act.

Last August, I conducted a number of hearings throughout my district in southern and central Maine to receive input on funding for higher education so that we would be better prepared for this hearing. That is why a number of people who have been asked to testify are here. There are a couple of points that we ought to keep in mind today. Maine has the lowest percentage of high school students that go on to postsecondary education, and the highest percentage of youths on the Guaranteed Student Loan Program of any State in the country. You can see how critical this program is in assisting Maine students so they will have the opportunity to go on to higher education.

Again, let me welcome you, Mr. Chairman. Thank you for having this hearing. I look forward to hearing the testimony, which I am sure is going to be significant, from the people of Maine today. Thank you.

Mr. FORD. Thank you. I would like to make one additional comment at the outset. We have heard, I suppose, from well over 200 people now at the hearings in Washington, primarily because we had 20 of them there, or 21, and we have well over 105 hours of time by people like our reporter, recorded. And, some day, somebody will read it, I hope.

But, it is not possible anyplace that we have a hearing to accommodate all of the people who would like to appear formally on a panel, and so I would like to extend the same invitation that we have extended at every hearing in Washington and elsewhere, and that is if there is anyone here who has anything to add to what we hear today, or, in fact, a thought or an idea that is not expressed today, please feel free to communicate that in writing to Mr. McKernan, and we will see that it is incorporated in the record of this hearing so that when it is printed it will be with the comments of the people who do appear on the panel. We do not want anyone to feel that they have an idea that is not heard or explored, and I want to respond to the question that the press asked, "What do you expect after all this time to find up here, that you have not found elsewhere?"

And, one of the interesting things in working on a national educational policy for all these years is that it is a constant learning process. That is what keeps it very interesting, and there is a difference to what we expect to see as the smear on the wall, as they describe things here in Maine from what we have heard and saw when we were at the University of Washington in the State of Washington, for example; or in my own State of Michigan, or out

in Iowa, Illinois, and Pennsylvania, and other places that we have had hearings. There is always a little bit of a local perspective of priorities that is important because we are not trying to write legislation for my State of Michigan or for Jock's State of Maine. We are trying to write national policy, that, hopefully, will not do damage to some parts of the country because we have overlooked the way in which they are accustomed to doing things and the way in which they respond to the program. So, it is extremely valuable that we have the kind of mix that we have had in these hearings and the kind of input that people like Mr. McKernan puts in.

I am frequently asked as we go around the country, what chance does a little State like ours have with only a couple Members of Congress, against a California with all the Members in the world, and New York and Texas. I say, "Well, the same chance that my little State of Michigan has."

We have two committee chairmen from our State for the first time since Eisenhower was President, and we think that is sort of extraordinary because when I first came to Congress, half of them came from Texas. The other half came from New York. But, it changes constantly, and there is no Member of the House, even though there are 435 of us, that is any more important than the others when it comes down to final decisions on these matters. And so what each of them feel is important—we are all equal except the members of my committee are a little more equal than the rest—for that reason, it is important that we, in trying to write this, understand where Mr. McKernan is coming from and what he means when he is explaining things to us.

We have already had several witnesses from Maine at his request representing various agencies appearing during the Washington hearings, but it is not the same as having an opportunity to come here and I had a delightful visit this morning with our first panel. The first, is Mr. Patrick McCarthy, the chancellor of the University of Maine, and Dr. Robert Woodbury, the president of the University of Southern Maine, and I'm not sure what the protocol is—he is the chancellor, but he is on your campus, so, Bob, I suppose you are first.

Mr. MCCARTHY. No, I defer. Besides that, he manages.

Mr. FORD. He controls the budget, is that it?

Mr. MCCARTHY. You have got it.

Mr. FORD. The two of you do.

Mr. MCCARTHY. I wish it were that simple.

STATEMENT OF CHANCELLOR PATRICK E. McCARTHY, CHANCELLOR, UNIVERSITY OF MAINE

Mr. MCCARTHY. Well, my name is Patrick McCarthy and I am the chancellor of the University of Maine, and I would like to add my welcome, to you, Congressman Ford, to Maine. You have come for the beginning of our leaf season; I hope you had a chance to fly low enough to see it—it is quite beautiful and I hope it is not raining when you leave. And I welcome Congressman McKernan back into Maine.

I would like to speak generally about the University of Maine, and the need—the need for reauthorization at least at the present

level. The University of Maine, as people who are from Maine know—it touches almost every part of the State and almost every family in some way or another—we have at any given time about 28,000 students, and when you have 1 million people, that isn't—it only takes you a few years to get into every household.

It is a Maine institution. It is divided into seven campuses, and this is one of them. And it draws its students from families of all sizes and shapes, from families of all different levels of income. And as a result, the programs which are covered, principally the four major programs, the Pell, the SEOG, the College Work Study, and NDSL, are significant programs in determining whether or not our citizens are going to be able to attend the University of Maine or any other university.

We, when we are testifying for the University of Maine, we are all for higher education. We believe that access to all higher education is not only appropriate but is essential to a sound educational system. And, so we support access to independent institutions as vigorously as we do to the public institutions.

But, in the public institutions we have some special problems. We are geared, both emotionally and psychologically, to try to solve the problems of people who have special problems in access that may be associated with income and with the ability to pay.

Of our 28,000 students, 12,000 of them are in one of those four—one or more of those four programs—which means that 56 percent of our students depend in some fashion, one way or another, on the authorization, reauthorization, of the programs that are covered by this bill for access to higher education.

As Congressman McKernan said, it is critical, and it really is critical. The gap between the number of students who finish high school and the number of students that go on, is at least partially affected by the ability to pay. Our family income is low, we have a State which is rural, and you need only to look at the million people that we have spread over a land mass that, if you measure it from Fort Kent to Kittery, you discover it is the same distance as from Boston to Baltimore, to understand that we have geographical problems, we have problems of wealth and we have problems of access.

But, we are, I think, one of the very good small systems in the country and we are, historically and at the present, 100 percent behind the partnership that has existed between the Federal Government and the State Governments. Under this sort of unwritten partnership, the States have attended to the needs of the universities and colleges through appropriations from the public budgets; and the Federal Government has attended to the students. It has meant that the student access question has been one that has depended very heavily on Federal support; has been in the past, is now, and will be in the future.

So, I come to you today to say really two things. One, thank you for the partnership. It has been a marvelous partnership. Without it, we would not have had the miracle of higher education.

It has been a marvelous partnership, because without it, we really would not have the miracle of higher education, that is a miracle in the world. It is where, close to 50 percent in most States, and in excess of 50 percent in some States, are able to go on and go

to higher education of one sort or another. In Maine, we have molded a system which we hope provides access to all sorts and kinds of education. But, the one thing that we have not been able to do is, we really have not been able to overcome the barrier to higher education that is imposed by cost to the student. And, for that, we look to the Federal Government.

It has been there, throughout our history, in the whole modern period, I believe. The 20-year period which was referred to by Congressman Ford is the 20-year period in which I labored in the vineyard, and during that 20-year period, the higher education system in the United States has expanded. At first, because the States were willing to help it grow at the local level, and equally apparent because the access that was represented by the provision of financial assistance through various programs that are on the books, made it possible for students to choose to go on, first, and then to choose on the basis of multidiversity, public, private, or whatever type of institution they wanted to go to. It was up—it was landmark legislation then—it still is. It is central to the whole development of higher education, and I think central to democracy.

For that reason, I come to you today, first to congratulate you, and second, to encourage you to pass it, at least, at the existing level, and hopefully improve it.

Thank you very much.

[The prepared statement of Patrick E. McCarthy follows:]

PREPARED STATEMENT OF PATRICK E. MCCARTHY, CHANCELLOR, UNIVERSITY OF MAINE

Chairman Ford, Congressman McKernan: My name is Patrick McCarthy and I am Chancellor of the University of Maine.

Let me begin by welcoming you, Chairman Ford, to our state, and particularly to the campus of the University of Southern Maine, which is a part of the University of Maine.

It is hard to overstate the importance of your Committee's work to the higher education community generally and especially to the University of Maine. I believe that what you will hear today will convince you that the programs covered by the Higher Education act are essential to college students in Maine.

At the University of Maine last year, over twelve thousand students participated in one or more of the four institution-administered programs: Pell, SEOG, College Work Study and NDSL. Thus 56% of our students in degree programs relied upon these programs to help them pay tuition and other costs of attendance.

Although we have avoided a tuition increase this fall, for the second year in a row, the costs paid by students are a matter of great concern to them and to their families. Maine students come from a state where family income is well below the national average. Many of them need these assistance programs—as well as the Guaranteed Student Loan program administered by banks—to stay in school.

For a generation a working agreement has existed between the states and the federal government regarding public higher education. Under that bargain, the state provides most of the direct support needed by its public colleges, and the federal government helps students meet tuition and other costs. The state of Maine devotes substantial resources to its public University, at considerable sacrifice. We look to the federal government to uphold its side of the equation and continue the aid to students in one form or another since the 1940's.

Any reduction of the federal aid provided students, particularly grant and work study funds, means some of our students cannot continue their education and some future students will be lost.

In addition to student financial aid, the Higher Education Act provides resources to assist institutions themselves in the specific areas of libraries and graduate education, and provides some funds for construction of facilities. It is important, I suggest, that these authorizations continue. We cannot lose sight of the fact that colleges have needs not met by student tuition and the federal contribution here, although limited, is important.

The Higher Education Reauthorization Act, with funding at least at the current year's level, is vital to the continued success of public higher education in Maine.

I would be happy to respond to any questions the members of the committee may have.

Mr. FORD. Thank you. President Woodbury?

STATEMENT OF DR. ROBERT L. WOODBURY, PRESIDENT OF THE UNIVERSITY OF SOUTHERN MAINE

Dr. WOODBURY. Let me just pick on the chancellor's remarks by saying, I think an institution like the University of Southern Maine is really a classic example of the kind of difference title IV can make in access.

This institution has approximately 9,000 students, its average age is about 27 years old. So, we have an extraordinary mix of people, not only students who are poor, coming from high schools directly to the University of Southern Maine, but older students, women in their thirties to forties, who may have children, who are trying to come back to higher education—so the title IV financial aid legislation is absolutely critical to an institution like this one that tries, to some extent, bring down that financial barrier with the help of the Federal Government.

Just to give you an example in this State, about last year, approximately 3,000 of our students received financial aid, it averaged about $2,500 per student, not counting the Guaranteed Student Loan Program, which gave approximately 2,500 students about close to $5 million. So, just last year, approximately $12 million of financial aid helped students at the University of Southern Maine. And I cannot underline any more what Chancellor McCarthy has said, that I think title IV in the Higher Education Act has been significant to access the democratic values, as the GI bill, the land grant movement, and the development of community colleges, in really overcoming barriers in this country to higher education.

Let me just, at this point, make a comment on a few specific parts of title IV, that are a concern, I think, to people of this institution and others. And, I make them for whatever you would like to do with them. And I will just mention several.

One, is genuine problem with loan consolidation after graduation, and extension of the repayment period would be helpful. Now, we were talking earlier about the fact that a person may graduate from this institution and go out to teach, and get $9 or $10 or $11,000, to start teaching, but may be facing $120 or more in monthly loan repayments. And, there has simply got to be a way, I think, of addressing that loan burden that is being carried by the students after graduation. I think consolidation and an extension of that period would be helpful to change in the act.

Second, one not well-known provision of the act has been enormously important here. That is the so-called job location office. It is part of the work study part of the bill, which allows institutions to match and set up a job location office to help students find jobs in the area. And since we have started that, which, I guess, is 3 or 4 years ago, we now, in this past year, found jobs worth approximately $650,000 last year, for students to get jobs in the Greater Portland area, to help support their education. And, the increase from the $50,000 in that provision, would allow us, I think, to do much

more in helping the students find jobs in the area. It may not be as helpful in some parts of the country as others, but there is no question on this campus, the ability to find jobs and get students, with jobs in the area, has made an enormous difference. And that has been a less noted part of the bill, but I think an important one.

I think we have to recognize the enormous number, and I think this is very familiar to you, of older and part-time students, so-called nontraditional students, and the need to address some of the financial aid questions relative to nontraditional students. And that, I think, is true of both the independent colleges and the public institutions. I was struck with a figure the other day, I think it was in Change magazine, that only 2 million of the 12 million college students today are traditional, residential, full-time, dormitory-based students, only 2 million out of 12 million; which is to say, 10 of the 12 million college students today, are nontraditional in the sense of the usual stereotype. I think we have to address some of the ways to make sure we are responding with financial aid for the so-called nontraditional, older students, and that ranges from recognizing child care costs in terms of Pell grants, to some of the more realistic issues of cost of living, if you do not live in the dormitories.

Another area I would mention is, I think, the balance, and I am not sure this should be addressed in this sector, the balance between loans and grants and work study, is, maybe, gradually getting us in a difficult position, where the loan—simply the size of the loan package—is a burden that is going to very much affect what happens to students in terms of career choices and in terms of the kinds of risk they take.

I agree with many of those who recommended that the GSL program be based, totally, on financial need, and that that apply to all parts of the act. It seems to me that is a sensible change, and not a burden to anyone, and, I think, ought to be written into the amendments to the act.

I also feel that we should not lose sight of graduate students, graduate professional students, in the reauthorization, and make sure that we attend to financial need in those cases, as well—which, I think, means raising the loan ceilings and recognizing that it is not only undergraduates that are critical, but graduate students as well.

And, the final comment, is not on title IV, but on title III. I would like you to know that title III has made enormous difference to the University of Southern Maine. In the last 4 years, we received approximately $1.6 million under title III, and it is the ability of this institution to provide poor students with quality education. The help that has come from title III to this place has been very, very important. I am very sensitive to the historical commitment which I do not think can be lessened to the historic black colleges in terms of title III, but I want you to know that it also has made a difference in places like Maine, in allowing institutions with the partnership with the Federal Government to support both the management and program in institutions like this, so it does a better job of responding to poor and middle-income students.

Thank you very much for the chance to speak with the committee today.

[The prepared statement of Robert L. Woodbury follows:]

PREPARED STATEMENT OF ROBERT L. WOODBURY, UNIVERSITY OF SOUTHERN MAINE

I don't need to tell you how critical the Title IV Student Financial Aid programs are to a place like the University of Southern Maine. In fact, I would suggest that the federal student financial aid programs have been as revolutionary as the G.I. Bill and the Community College and Land Grant movements, in terms of providing access and changing the demography of the college population. During this past year, 2,830 USM students received an average financial aid award of $2,479. This does not include funds borrowed through the Guaranteed Student Loan program, which provided 2,450 students with funds in excess of $4,700,000. Over the last four years, between 2,800 and 2,900 students received awards averaging between $2,400 and $2,700.

Given the University's mission and location, it is not surprising to find a large population of non-traditional students. The average age of our student body, 26.9, reflects this. Less than 12% of our students live in dormitory housing. If you have a chance to walk around our campus, you will see that older students predominate. These students frequently have family responsibilities and there are a significant number of students who are heads of single parent families. These students have financial needs far different than those of the traditional college student. They frequently attend on a part-time basis and often have to deal with child care costs.

Recent studies suggest career choice and family plans are being influenced by the increasing levels of student indebtedness. I am disturbed about the long range consequences of relying on borrowings to finance a higher education. It may effect a student's educational choice and motivation.

I believe all of the current Title IV programs need to be continued. While some feel the two loan and grant programs are duplicative and could be consolidated, I'd suggest they act harmoniously, like the instruments in an orchestra, to prove balance, diversity and flexibility. I would also suggest the following modifications to facilitate greater responsiveness to student needs and improve fiscal responsibility.

A loan consolidation program, offering students with large educational debts the opportunity to extend the period of repayment is needed. This would not only make the debt burden more manageable, it could potentially, reduce the number of defaults and delinquent payments. Students participating in this program might be required to pay a higher interest rate, thus reducing or eliminating the federal subsidy on these loans. This would seem a prudent approach to addressing the cost issues extended repayment terms present.

Requiring all students borrowing from the Guaranteed Student Loan program to show financial need is another sensible way to address the rising costs of loan subsidies. This would eliminate subsidies to those who can afford educational expenses but borrow out of convenience. The current rule, allowing those with adjusted gross incomes under $30,000 to borrow without regard to need does not do this.

The Pell Grant program currently makes no allowance for child care costs. Further, the formula used to determine the cost of attendance for this program, mandates the use of a $1,600 room and board allowance for students living in off-campus housing. This is over $1,000 less than the amount allowed for students living on-campus. If this program is to adequately address the needs of the growing number of non-traditional students, realistic budgets and an allowance for child care must be provided. The current bias, favoring students residing in campus housing must be eliminated.

One of the most cost effective, and least publicized aspects of the College Work-Study program is the provision allowing an institution to use up to $25,000 of the federal contribution to fund a Job Location and Development program. USM created such a program in fiscal year 1982 and helped students find off-campus jobs, primarily in the private sector, where over $99,000 was earned. During fiscal year 1985, this program helped students find jobs where ove $659,000 was earned. This program helps some students reduce their reliance on other federally sponsored programs by increasing the involvement of the private sector.

The University is required to provide at least $6,250 to match the federal funding. USM's contribution is actually two-and-one-half times this minimum. Given the outstanding success of this program, I would urge you to consider increasing the amount of College Work-Study funds an institution can use for Job Development efforts to $50,000. Given the current 16:1 ratio of student earnings to expenditures for this program, I think it provides an exciting opportunity to increase monies available for college expenses without increasing overall federal expenditures.

Finally, I would like to note the assistance USM has received under a different title, Title III. In the first four years of this seven year grant, USM has received over $1,600,000 to undertake projects whose costs would be prohibitive for USM to develop without grant support. The Title III Grant is allowing USM to accomplish four major projects:

(1) A comprehensive, computer supported information system which would be used by managers for more efficient planning and decision-making procedures.

(2) An instructional television system which will enable USM to deliver live instruction to multiple sites simultaneously and interactively.

(3) The initiation of a Development Office;

(4) and, development of a student testing program which will provide better placement of students in courses and, thereby, enhance USM's retention rate.

Mr. FORD. Thank you. However, I should say to you, that probably one of the most difficult parts of this reauthorization, is turning out to be title III. The only one the administration has shown any interest in—or communicated directly to the committee a sense of what they would like to have done—although at this point, it is merely a letter from the Secretary to the committee, outlining what they would like to have done—and they are still trying to prepare some legislative language—but you put your finger on the central point. The President has made statements that the struggling black colleges take as a promise that they will have a higher priority than they have had in the past, and title III is the only institutional portion—about 95 cents of every dollar that has been appropriated goes in the form of student assistance, direct or indirect, and only 5 percent of it goes to the institution. And the bulk of that is in the title III program. And there is great competition with the community colleges, which are, in many parts of the country, still new and developing institutions.

Originally, the purpose of title III was to help institutions develop their own resources and programs. What kinds of things have you done with title III here?

Dr. WOODBURY. Well, some of the programs we have been able to deal with: one, is if an institution like this one which has grown very, very rapidly, has lagged in its ability to manage itself well. Part of what the title III did, there are several parts that helped us, was simply allowing us to build a capability through management information systems, computerized systems, so that the institution of 9,000 students could simply run its business better, and that has been a very, very important one, when you are dealing with a State where State support of public higher education has been and will be very difficult for them to get because of how poor the State is.

A second area is, how do we reach students all over southern Maine, who may be geographically bound or unable to commute here? This is primarily a commuting institution. We have been able to make telecommunication hookups with classrooms, in locations throughout the southern Maine region, where people can come after work, come in and take courses, that are on an interactive television system all over the southern Maine area.

The third area that has been very, very important, is testing and assessment. Many, many of the students who come here are either underprepared or inadequately prepared—how do you target them into the appropriate educational program they should have? Title III has been very helpful in helping us develop the kind of testing and assessment that allows us to place students properly, who may

have deficiencies in their preparation. And there are a number of other areas as well. But, it simply has been able to give that margin for an institution that has developed very fast and is developing very fast in the last few years.

Mr. McCarthy. Mr. Chairman, may I add to that?

Mr. Ford. Of course.

Mr. McCarthy. One of the interesting things about the configuration of campuses that we have in the University of Maine is that kind of experience is reuseable. The telecommunications part of it, is, will be a model, or is a model, for the development of this kind of a programatic delivery system throughout the whole State; and space being a problem, it really is crucial to the State.

The testing model, and I think this is particularly pertinent, because we face a period of higher education where people are questioning the membership of enrollments: the question is, who should go? And there was a question about, how do you, when do you let that student in? After they are fully prepared? Or, do you work on the student after they have arrived? That question really is a question that needs to be answered in the context of a system which can address the issues, but also can perceive the issues as they exist. And, I think the kind of setup, the kind of work that has gone on in testing and long-distance learning have tremendous potential for the whole state.

I guess I have in mind that in dealing with the grants, that title III is one of the important ones that should be looked at.

Mr. Ford. Thank you. Mr. McKernan?

Mr. McKernan. I have a couple of questions on the issue public versus private education and funding. We have been addressing this issue in our committee, but it needs to be carried a step further.

I wonder if you could discuss how the costs at the University of Maine system, the various campuses, compare with the costs of other State universities, and if you could then, take it a step further and explain, what effect that has on the need for student aid? We will give you a tough one after this.

Mr. McCarthy. No; you have given me an easy one, but a long one. Our costs are probably comparable to the regional institutions that are within, in the public sector, with the exception of very organized institutions which—you find in Massachusetts and Connecticut. Our ability to pay is not the same. The student's ability to pay—There is a greater gap between the student's ability to pay and the cost. So, our need really puts us in a developing State if there were that kind of terminology as to be used in regards to institutions. A developing State category.

With respect to public and private, if you look at the costs of small private institutions or independent institutions they are in charged costs—and you have to divide out that which is passed on to the student and their family, and that which is actually put behind the student as a support system. In the public sector, the charged costs are almost 100 percent of what the costs are. In the private sector, they have, they may have doubled, or even in some cases, almost tripled, the costs to the students and their families, and then they have a cost on top of that made up from other, from philanthrophic sources. So, there is a difference in how much we

are spending on students in the public and private sector, but, largely on the basis of how much is available.

I firmly believe that diversity is one of the characteristics in American public higher education which is—makes it strong. I am saying this as a public higher education administrator.

Now, I believe that the programs and assistance should provide for diversity. It should not select out either a public institution or private institution, and attract students to it. It should eliminate the barriers that exist on the basis of need, and let the institutions compete for the students on the basis of programming. We believe we can compete, and we believe that it is a rising tide, because all votes are in, that if you do not have healthy, independent institutions, you are not going to have healthy public institutions.

Mr. McKernan. Have you found that—I think I heard this in one of the hearings that I had this summer—in some instances, the university system is losing students to some of the private colleges, especially in the Boston area, because of larger endowments and the financial aid package that can be put together on a private basis by some of those institutions?

Mr. McCarthy. There is no doubt about that. I think that some of the cases would open your eyes. When you discover that the charges to the students that are $15,000 or $14,000, the students with need, the same kind of need profile, can go to a private institution, moreover with greater facility, with less costs, than you can go a public institution, and that is really a basis of having more means in addition to the programs that are available.

The problem with student aid in the public sector is that we have looked to low tuition, as a form of student aid in public higher education for most of its modern history, and because of the complexities of all the education programs and the complexities of constructing that huge educational system in response to the growth of the fifties and the sixties, it has not been possible to hold down tuition so that the implied subsidy that came from low tuition or very low tuition is no longer present in public higher education.

You start off with a tuition—you start off with a bill to a parent, that is roughly in the vicinity of $4,000 to $5,000 for an in-State student. And this, if you come from a multiple, a family of several children, the arithemetic is very simple. You know, you can quickly get to a owed bill, I do not know how much of it would be paid to enter, but an owed bill of $15,000, with 3 youngsters in a college/university. That is in a public institution, with in-State tuition. Now, when you multiply that with out-of-State tuitions, and our out-of-State students are in a several thousand dollar elevation profile here, you are talking about between $6,000 and $8,000, depending on what their bills look like.

So, what we are really saying is, that it is no longer possible to go to an institution, or to have several children go to an institution of higher education, without some assistance, whether it be work study, a loan or a grant or what have you. And, that tuition is no longer a way of assisting them to do this in the public sector to the extent that it has been in the past.

Mr. MCKERNAN. I appreciate that. Bob, one question for you. First of all, I wonder whether you and Dick Campbell have entered into any negotiations on the new loan program. [Laughter.]

He's the first to win the tri-State lottery. He was the guy with the new suit. [Laughter.]

I wanted him to buy a ticket for me.

Dr. WOODBURY. Some people take their job very seriously.

Mr. MCKERNAN. Fortunately, you have somebody who does. Let me ask you a question on loan consolidation, which I think is a significant issue. Someone referred to the problem of two students with significant education debt, marrying, thus creating sort of a reverse dowry. Let me ask whether or not that has posed a problem for the university, and whether you have noticed that that does affect career choices. You talked about people leaving school with $10,000, $15,000 worth of debt. If two of them get married and decide they want to be teachers that amount of debt would be a significant deterrent, I would think.

Dr. WOODBURY. You know that is one of those things from sort of episodal and not very systematic kind of attention, but it is my sense in terms of people I talked with and with what little bit I hear that that is part of an aura of decisionmaking that you face, which is—there are lots of things that are facing people going into teaching careers, and we were talking about some of those earlier, that have nothing to do with this issue, but if you add to that dimension going out onto the job market with the kind of loan debt and monthly payments, I guess that is the important one, the monthly payments, you really are making it almost impossible for people to make certain kinds of career choices.

There also may be more subtle impact, too, in terms of risks people are willing to take, people's ability to act out on certain values they have, it is very difficult to pin that down in a mathematically very certain way. But, that is certainly my sense of what young people are facing, and if they are married and the two of them are trying to do it, it is an enormous burden to carry.

Mr. FORD. Loan consolidation was provided for in the 1980 amendments. At that time we knew of nobody who was interested in getting into the business except Sallie Mae. And, Sallie Mae undertook a program that ran for about 2 years, and then, unfortunately, in any program that gets in trouble in Vermont is in real trouble, the ranking member of this committee is from that State, and the chairman on the other side is from that State, and they have a way of being heard. For that reason, it was not carried on.

Now, we are told that the banks are interested because they are looking forward to interstate banking, it seems to be part of the evolutionary process of banking. Various people in the secondary markets would be interested in providing loan consolidation. When we did it in 1980, I think we said that if you had a combination of loans of $7,000, or was it $5,000? Two or more loans in excess of $5,000 total, that you could go to Sallie Mae and consolidate it into a single payment and then stretch it out.

Mr. MCCARTHY. Stretch it out.

Mr. FORD. And, at that time, what we were considering that to have as a primary value was helping us with the default difficulties because we found that a lot of people who were in default, that

is not to say that they did not pay their loan, but were falling behind, had loans of various kinds coming due all at once and they would pay some of them and not others. There is a very strong feeling that we ought to renew loan consolidation as an option, but make it available to other people who would like to get into it, like banks and secondary markets and State agencies. Some of the States are well equipped to do this.

But, then, the question of cost comes up. One of the suggestions that has been given to the committee, would be that we permit consolidation so that the loan period can be stretched out for 15 or 20 years, particularly for the professional schools. The National Association of Law Schools has advocated this, the dental schools, the medical schools, because their people come out not only with our loans, but with the HEAL loans and so it is not unusual to see a student coming out of a school like Georgetown with $50,000 in debt out of law school, and $100,000 in debt out of medical school. At the University of Detroit, the average student with loans was coming out this year, according to their dean, with $40,000.

One way to approach the cost would be to provide for a stretchout, but then, say that during the stretchout period, beyond the presently provided 10 years, the interest paid by the borrower would then go to approximately market rate.

Dr. WOODBURY. At the end of the stretchout?

Mr. FORD. During the period beyond 10 years.

Dr. WOODBURY. Yes.

Mr. FORD. In other words, you could have 5 or 10 more years to pay off the loan, but the interest rate would then be adjusted to soften the blow to the whole program. We anticipate that in just the 5 years since we did it the last time, the size of loans has increased so much, and the dependence on loans has increased so much, that there would be a very heavy demand for consolidations. We are presently trying to get some cost estimates out of the Congressional Budget Office, and I do not know—do we have anything yet?

But, our hunches tell us that it is going to be very expensive, and it is a tradeoff. We would use the money for people who have already been to school or others to have access. But, one answer to that would be to let the paper, if you will, float to market rate after the 10-year period. How do you think that would work in a State like this, and keep in mind the schoolteacher you were talking about.

Dr. WOODBURY. Well, I guess my first reaction is that that is an alternative to the present and makes sense if that is the kind of tradeoff you have to make.

Mr. FORD. Well, one would prefer that we could give them 20 year——

Dr. WOODBURY. Exactly.

Mr. FORD. And continue subsidizing the interest, but that would load a cost factor in that is not there now, and it diminishes the resources that we have available for the new students coming in.

Dr. WOODBURY. I think that is reasonable.

Mr. MCCARTHY. Well, I think you have to divide it. It seems to me that it has one set of effects on professional education, that promises—it may not deliver on them—but promises higher

income. And, you know, medicine and law, or maybe law. But, I think teaching is different. And, I really have a dilemma with teaching. I would hate to see a sort of Gresham's law where a high debt drove out good teachers. And I think that could happen to you if you had a floating characteristic because at the end of 10 years in Maine, you will not have appreciated, on past experience, the teacher's salary to a point where that would do anything but be a disaster. I mean it would be, it would really force people, perhaps, at the end of 10 years, to leave teaching and go to something where they could pay off with something else.

I do not think that would be good for education, and I do not think it would be good for the country. So, it seems to me you have a special problem with respect to teachers. And, unless we can vastly improve the basic salaries of teachers, I do not think that that works for teachers.

Mr. FORD. The staff reminds me that we have before the committee, among the other bills that have been introduced, in various parts, a bill by Mr. Biaggi which has a deferment of 5 additional years if the person went into teaching. Their loan would not come in for repayment until the end of that 5-year period. That is partly a response to the people who remember what we did with the National Defense Education Act, when we had a feeling of desperation in the country, we had a terrible shortage of teachers, something we are going to be facing again, very soon. In some parts of the country it is already there.

And, at that time, if you recall, we gave on the direct student loans an actual forgiveness, based on each year of teaching. That, in today's market would also be an expensive theory. We are dealing always with the restraint of a bill that will get signed, but the deferment is not nearly that expensive. It merely gives them 5 years to get something started and then, of course, the suggestion is that at the end of 5 years they will have to leave teaching to start making their payments. That is a problem, but how does that idea strike you—would that be helpful enough to try?

Mr. MCCARTHY. Yeah. I think anything that recognizes that teachers are paid differentially with other professions, for advancements, for, you know, for a great deal of schooling. It has to be better than not recognizing it. I could be on the side of being more liberal, and I would think that 5 years and no free-floating period of time would be a better solution than one that had free-floating. But, I am prejudiced.

Mr. FORD. Well, that was what we were trying to do in 1980, and then in 1981, something called Gramm-Latta passed and shot all that out of the water. We thought we had a real thing going in 1980, and it did not last very long, and it was because it became a subject of the sudden growth in cost and Mr. Stockman spotted us in his computer right away. And he has been after us for 5 years with a vengeance.

But, we know that conditions are not going to change during the period we are reauthorizing, so we have to try to keep those restraints in mind. We are looking for a way to provide some relief and be able to rationalize, if not, in fact, minimize the cost.

I think the committee has heard so many people about the need to make special provisions for people entering and staying in the

teaching profession, that something will be done. Are you familiar with what Pennsylvania is doing with their own money?

Dr. WOODBURY. I am not.

Mr. FORD. Pennsylvania has a loan forgiveness program for teachers and people going into the health professions, nurses, and medical technicians. And for each year that you go into one of those professions, in the State of Pennsylvania, they forgive a portion of your loan. And, they are using their own resources, not the Federal money to do this, and it is becoming a pretty substantial program down there. I am not sure just how many, but I think there are probably well over a dozen States that have some variation on that in place, indicating that they have already recognized in the use of their own resources, that this is an important problem that has to be addressed.

So, we have some kind of precedent to follow. It is not a great idea coming out of Washington. It is being done by very practical people in a number of States. And I think it will have a lot of appeal to figure out some sort of either forgiveness or deferral system and, perhaps, even if we were to provide for loan consolidation, we might consider that a deferral of that period when you reach market rate.

Mr. MCCARTHY. I think that would be attractive.

Mr. FORD. And there are a number of ways that it might be done, but as I take it, what you are really saying is the committee ought to use whatever ingenuity it has as its disposal to try to move in that direction.

Mr. MCCARTHY. Yeah, I think the fact is that the teacher is different, and you have to face that. That—their income structure is different.

Mr. FORD. Thank you very much, gentlemen, and let me say to the reporter, I should have said it at the outset, without objection, the prepared statements of each of the people who appear today should appear in the record immediately preceding the point at which they begin their comments, so that they are commenting on, as they have, what they have already presented to the committee.

And, now I would like to introduce Dr. Kinvin Wroth, Dean of the Law School at the University of Southern Maine, who would like to make a brief statement.

STATEMENT OF KINVIN WROTH, DEAN, UNIVERSITY OF MAINE LAW SCHOOL

Mr. WROTH. Thank you, Mr. Chairman. I am Kinvin Wroth, Dean of the University of Maine Law School. And, I am very honored to be able today to join my chancellor and my president in welcoming you to our campus. And it is a particular pleasure, also, to welcome back to his old stomping grounds here, my former student, Jock McKernan.

I want to speak only very briefly today on the subject or your concern which is a matter of great importance to us. Our students at the University of Maine School of Law, and other graduate and professional students in public universities, especially this one, share the demographic and economic attributes that Chancellor McCarthy and President Woodbury described, their age, their

social and economic backgrounds are similar, but they bring to their graduate and professional education, the added burden of, in most cases, the undergraduate indebtedness which you referred to earlier in your remarks.

We find in our institution that 70 percent of our students have one or the other form of, or often both Federal loans, 40 percent of them are NDSL recipients.

This morning, I would simply wish to reiterate very briefly before you the proposals already presented to you, I believe earlier this month, by the Association of American Law Schools, for not only continuance of the program, but modification in a number of respects, including first, an increase in the annual GSL limit from $5,000 to $10,000; second, an increase of the cumulative loan limits to $25,000 for 10 years, and $40,000 for 20 years; third, a consolidation of all loans and the structuring of repayment on a graduated rather than flat rate basis, which, you Mr. Chairman, referred to earlier. And, fourth, discontinuation of Federal assistance with interest payments after the first 10 years of the repayment period.

Because of the present ceiling on borrowing, the opportunity for graduate education is made more difficult, or, if not, foreclosed for many students. Others are forced to interrupt graduate programs in hopes of earning sufficient funds. These factors are true even at State universities such as this one where, as Chancellor McCarthy has suggested, despite relatively low tuition rates even for graduate education compared to private schools, we lack the supplementary resources to provide complete financial aid packages for many of our students.

Despite these initial front-end factors, however, it is, indeed, fair, as the chancellor also suggested even about law students, to suggest that, at least in the professions of medicine and law, a more substantial repayment burden and obligation be shouldered by the students. I will take advantage of your invitation to extend these remarks for the formal record. I hope that you will pay heed to the association's proposals and I thank you very much for the opportunity to appear this morning.

Mr. FORD. One of the alternatives that we have been discussing is to provide, leave the $5,000 cap on graduate students attending graduate school where the tuition is below $5,000, and then allow it to go up to $8,000 as the tuition is more than $5,000. That would not help you much, would it?

Mr. WROTH. Our nonresident tuition is above $5,000 at the moment; our resident tuition is at $2,200. There is, however, a serious discussion within the system of—for really the same reasons we are discussing here—increasing the tuition levels of certain graduate programs based on the economic, assumed economic advantages that those programs provide. So, the time might soon come when this and many other State institutions at the graduate level might be helped.

Mr. FORD. How long has the law school been here?

Mr. WROTH. This, in its present incarnation, a little over 20 years.

Mr. FORD. Were you with the law school in the late sixties?

Mr. WROTH. Yes, I was.

Mr. FORD. Were you sending some of your graduates into the Legal Services Program then?

Mr. WROTH. Yes, we were; and occasionally still send some there.

Mr. FORD. If we were still paying Legal Services lawyers like we did in those days, could we get any today?

Mr. WROTH. Not in the same measure, I am sure. That is a fair observation. The number of positions also, of course, is a factor today, as well as the pay level.

Mr. FORD. Well, originally, we started out by having very strong arguments with Sargent Shriver over this, coming from his law school background, and what he knew that lawyers could command. He wanted us to put the pay rather high, and he found me, for the first time, arguing in the opposite direction. I usually am for high pay for everybody.

And our thinking came around to the idea that what we wanted was very strongly-committed young people who were not going to pick that as a career, but would do it for a couple of years and stir up things, and then go on to some place else, and become a part of the establishment. That got changed in the later years, when we created the corporation. It is changing even now.

But, one of the concerns that the committee has had for some time is the heavy indebtedness that professional students are bringing out of school with them, and the fact that they will not be available for public health work, for public defender work, and other kinds of jobs; social work is just completely out of the question for a student with substantial debt burden when they come out of school.

And that a large pool of committed young people, who, because of their own background, would be very strongly motivated to work in fields like this, are literally being put into a form of economic bondage so they are not available to us.

And, when you talk about increasing the loan limits, it bumps up against that kind of concern. The health professions, of course, can borrow more money through the HEAL program; that is market rate loans. Then, they can borrow, I think, $10,000 a year on top of these loans. There is more use now of the PLUS loans than there had been, which are market rate loans, that become payable even during school periods.

But, we had this dilemma of what we see happening to a very substantial part of the graduating population coming out of school in debt, coming from the Detroit area, I am worried that they are not going to be ready to buy new cars for a long time.

Real estate people are starting to realize that with 6 million people in college at one time receiving student aid, that a very substantial part of our population is starting out with the kind of indebtedness that looks bigger than the mortgage I had on the first home that I bought for my family after I was practicing law.

And that a whole lot of things are going to happen in the economy and the society generally as a result of the heavy use of the loan avenue as a way of people furthering their education. On the other side is the obvious concern of people in professional schools, such as yourself, that we ought to let them have access to greater resources, and we just do not know how to balance that out.

Mr. WROTH. I think there is one suggestion that, undoubtedly, has been considered, and that is that in the legal profession, for example, graduates who enter for a stated period of time, public sector positions, particularly Legal Services; or perhaps, who even go to private practice in lower-income sectors of the country, such as your State as well as ours has, might have some special provision comparable to that which you were earlier discussing as to be applicable to teachers, that would either lighten the repayment burden in some respect or in some fashion provide a compensating benefit as an encouragement and, in effect, reward for rendering those public sector activities.

Mr. MCKERNAN. Kinvin, just one question to follow up on that. You are suggesting doing something for people who go into the practice of law in areas that we deem to be socially beneficial. How would you feel about tinkering with the subsidy aspect of the interest rates? In other words, for people who go into practice in some of the major law firms or into the private sector, in the areas that really do not have a need, how would you feel about eliminating the interest rate subsidy after graduation? You would still get the subsidy during school. As part of these programs, you would not have to pay until after you got out of law school; but elimination of the subsidy after graduation would be used as a way to cut down the costs of the program and, hopefully, give more people access to the program.

Mr. WROTH. It seems to me that the subsidy, or a longer total forgiveness period, however that is articulated, is one of the principal tools for achieving the kind of differentiation between career tracks that we are talking about. I guess I would hope that out of a final fine tuning of any such idea, would come a balance in which even those who are going into conventional private practice, were not immediately socked with the full burden, but that there was a differentiation in the subsidy rates between the two groups. Obviously, the amounts that would be beneficial to the private sector group are a mathematical fact that would have to be developed through studies for you, but it would seem as though some such balance would be an appropriate measure.

[The prepared statement of L. Kinvin Wroth follows:]

PREPARED STATEMENT OF L. KINVIN WROTH, DEAN, UNIVERSITY OF MAINE SCHOOL OF LAW

I am L. Kinvin Wroth, Dean of the University of Maine School of Law. I have been Dean since 1978 and a member of the Faculty since 1964. I have thus had ample opportunity to observe and understand the financial needs of graduate and professional students and the importance to them of federally supported financial aid. Presently, more than two-thirds of our students are recipients of national direct or guaranteed student loans. Without this support, many of these talented and deserving individuals would be deprived of the opportunity for professional education.

Accordingly, I urge you to recommend reauthorization of the Higher Education Act of 1965. I also express my support for the proposed modifications in federally supported financial aid for graduate and professional school students presented to this Subcommittee on September 12, 1985, by Professor Roger C. Cramton, President of the Association of American Law Schools, on behalf of the Joint Task Force on Federal Finance Assistance to Law Students.

Briefly, the Joint Task Force urges reauthorization of the Act, with the following changes in its financial aid provisions:

(1) Increase the annual loan limit to $8,000, and increase the cumulative loan limit to $25,000 for those repaying over 10 years and $40,000 for those repaying over 20 years, with federal guarantees continued for the full repayment period;

(2) Permit consolidation of all federally subsidized or guaranteed loans, and require lenders to offer graduated repayment plans; and

(3) Increase the interest rate to 10 percent on loans repaid during the regular term of repayment (*i.e.*, 10 years or less), and to market rate when repayment is graduated or when repayment extends beyond the typical 10-year repayment term.

Because of the present limits on borrowing, the opportunity for graduate or professional education is in effect foreclosed for many students. Others are forced to interrupt their programs to earn money sufficient to allow them to continue their educations. This is true even at public institutions such as the University of Maine, where tuition rates are lower than at private schools, because public universities are least able to provide supplementary resources for students with inadequate loan packages.

I believe that the Joint Task Force proposals are fiscally responsible and reasonable, and that they would ease substantially the financial burden on graduate and professional students, both during their school years and afterwards during the repayment period. The proposal for graduated repayment plans has a particularly positive social impact. Besides decreasing the probability that students will default on unmanageable debt payments, the proposal would open to more students the option of taking relatively low-paying public service/public interest jobs upon graduation. That option could best be secured by a system permitting forgiveness of interest, or similar relief, for such individuals. Graduated repayment, however, would at least alleviate the impact of the present, flat-rate based repayment system, which effectively forecloses public services possibilities for students who graduate with large debts.

Upon first consideration, one might think that students at the University of Maine School of Law would escape the plight of students at higher-priced private institutions. A closer look proves that this is not the case for a variety of reasons, and that, in fact, our students tend to be particularly dependent on federally supported financial aid.

Perhaps most important in this context is the fact that a great many students at the University of Maine School of Law and at other, similar, schools are nontraditional students. Many are older because they have not begun law school immediately after grduating from college. The average age of our students during the 1984-85 academic year was 27. Consequently, they are more likely to be married and have children. Such students enter law school with existing debts, and obligations, such as mortgages and the costs of their children's as well as their own, educations. An example which is by no means isolated or unique is that of a student in our current first-year class. Before entering law school, this student earned approximately $10,000 of a family income of $14,000 per year. The student is married and has six children, one of whom is in graduate school and two of whom are in college. The children are partially supported by loans which the couple has taken, using their home as security. Examples such as this illustrate that students such as ours would be particularly hurt unless loan limits are raised for all students, not merely for those subject to tuition rates above a floor such as $5,000.

Other reasons for the dependence of our students on financial aid derive from the fact that Maine is a poor state with a poor population. Over half of our students are native Mainers. As is often the case with graduate students, many of our students have exhausted their parents' willingness or ability to help with educational expenses. Unfortunately, the scarcer the resources, the quicker that willingness and ability will have run out. In these cases, students are forced to seek outside aid sooner, and to finance larger portions of their educations. Reasonable annual and cumulative debt ceilings are of utmost importance to those individuals. Also as a result of the state's scarce economic resources, funding for the University of Maine system is severely limited. The Law School, like other University of Maine units, is a Spartan operation. We have virtually no money for school-supported scholarships, grants, or loans, and little to give from state funds in the form of work-study aid.

To make matters worse, there is little available to us in the form of alumni-supported scholarships or loans. The University of Maine School of Law is one of the smallest law schools in the United States. We have only 230 students currently enrolled, and fewer than 1300 living graduates, most of whom have been in practice for 15 years of less. This pool of potential donors is too small to serve as a source of significant alternative funding. Because the school is not only small but relatively young, endowment is also not a significant source of financial aid funds.

Our current tuition rates, at $2,220 per year for Maine residents and $5,550 per year for residents of other states, undoubtedly offer students a good deal. We have investigated the possibility of increasing these rates to create a tuition subsidy fund. However, with over 70 percent of our students receiving aid at present tuition rates, such a scheme would result primarily in students subsidizing themselves.

In 1976, the time of the most recent increase in loan limits, tuition at the Law School was $600 per year for Maine residents and $1,750 per year for residents of other States. Therefore, in the last nine years, tutition has tripled, while there has been no corresponding increase in the amounts of available aid. Of course living expenses have also increased dramatically during that time. We currently estimate minimal living expenses for a single student living in the Portland area to be approximately $4,500 per year. Obviously this figure is higher for the many students who have dependents.

At a time when the supply of lawyers already exceeds the demand, many wonder why taxpayers should be asked to bear the burden of additional funding for law students. The dramatic decline in the number of law school applications during the past few years indicates that market forces are already at work correcting this oversupply. I believe, however, that a more fundamental answer to the question of lawyer supply lies with the unique place lawyers hold in our society. Of course, increased economic power typically accompanies a law degree. But more important, lawyers play a singularly dominant role in shaping the public policy and directing the political framework of the nation. It would be unhealthy and intolerable to foreclose this opportunity to all but the well-to-do.

In the last two decades in this country, we have taken tremendous strides toward making legal education available to any qualified person. Continuation of a sensibly structured federally supported financial aid program will allow this and other law schools to continue and expand these successful efforts.

Mr. MCKERNAN. Thank you.

Mr. FORD. Thank you very much, Dean.

Mr. WROTH. Thank you very much for hearing me.

Mr. FORD. The next panel will be Mr. William Pagnano, associate commissioner, Maine Department of Educational and Cultural Services; Mr. Stephen Dill, assistant vice president, Maine Savings Bank; Mr. Ludger Duplessis, president, Maine TRIO Association; Mr. Alfred T. Quirk, dean of admissions and financial aid, Dartmouth College.

Thank you, gentlemen. The prepared statements that you have will be included in the record immediately preceding your comments, and we will start with Mr. Pagnano.

STATEMENT OF DR. WILLIAM F. PAGNANO, ASSOCIATE COMMISSIONER, MAINE DEPARTMENT OF EDUCATIONAL AND CULTURAL SERVICES

Mr. PAGNANO. Thank you, very much. On behalf of the Maine Department of Educational and Cultural Services, we certainly welcome you to Maine, and we welcome the opportunity to address you and your committee on what we consider to be a vital issue with respect to the programs that the State of Maine is involved with.

We, in the State of Maine, at the department of educational and cultural services, are directly involved with two title IV programs. We operate the Guaranteed Student Loan Program and we also operate the Maine Student Incentive Scholarship Program, both federally based programs. So, my comment today, and the testimony that we have submitted, the written testimony, is directed at those two particular programs.

We have some very specific concrete suggestions that we believe will bring about significant cost savings as well as preserving what

we feel is essential, which, in our view is access—we feel that this is a key ingredient in any Federal student aid program—that the students have access to the education and that the program ought to be based upon preserving this access to higher education.

We also believe, philosophically, that it is a cooperative effort; that it has to be a effort between State and the Federal, the parents, students and the institution of higher education. So, I think that is particularly important, that we recognize that this is a partnership and that it is a joint venture, if you will.

Looking at some of the specifics with respect to the State of Maine, we have a long voyage of approximately $45 million a year in the guaranteed student loans program, and over the life of the Guaranteed Student Loan Program in the State of Maine, we have served approximately 100,000 students, so we have been very active in the program.

With respect to the Maine Student Incentive Scholarship Program, we receive approximately 15,000 applications a year. We find 10,000 fully eligible and, yet, we are able to fund only approximately 2,000 students a year under the Maine Student Incentive Scholarship Program. This, in spite of the fact that our state has overmatched the Federal requirement in the last 4 out of 5 years, and we have one or two specific recommendations with respect to that program.

I would like to get directly to some of the specific recommendations that we, and they will parallel some of the recommendations that we have heard from other speakers, and I think they will relate to some of the issues that you, Congressman Ford, have raised, and hopefully we will be able to give you some insight into the specifics of one or two of these recommendations.

We have a series of recommendations regarding the Guaranteed Student Loan Program, and I will talk about these and look at particularly the third recommendation as it has been brought out here today. The first recommendation we have is to require multiple disbursements of the guaranteed student loan funds. We believe that this would reduce the default amounts. I think the multiple disbursement issue has been well discussed; I know that proposed rule changes will incorporate this also.

We also recommend that we apply a needs test to determine eligibility for all borrowers, regardless of parental income. Again, we feel that this is a responsible measure, that it is consistent with financial need, financial need programs, so we would recommend that a needs test be applied to all borrowers.

The third recommendation is that, require all new borrowers to repay their loans at market rates computed quarterly on a 91-day Treasury bill rate, plus 3½ percent, with a cap of 12 percent. I did some quick figuring on this, and if we assume today an average yield of 12 percent, and a special allowance on the 8 percent of the loan would be 4 percent, assuming a borrower obtained loans totalling $10,000, the additional cost to the borrower would be $2,657 over a 10-year period. The monthly repayment would increase from $121.33 to $143.47. What we are doing is we are shifting the burden of the special allowance from the Government to the student, after that student has had the benefit of that loan during their period of schooling, and now they are into the marketplace working. The $20

a month plus increase does not seem like a significantly heavy burden.

Now, from what I have heard today, certainly this concept, perhaps applying it 5 years out, or perhaps tying it in with an extension of repayment period, I think certainly is worth pursuing. If we multiply the $2,657 costs savings times the hundreds of thousands of borrowers throughout the United States, I think you are going to see that this is the one particular provision that is going to have a significant costs savings and reduction as far as the Federal Government's involvement.

Also, I think it preserves the unique access issue. I think that we can maintain the integrity of the program, at significant costs savings, if we explore this particular area. And, again, we are not married to this particular formula, or—but, we think the idea has merit, and we think it is significant as far as costs savings go.

We would also, in our next recommendation, modify the 10 years repayment period to extend beyond the 10 years; the figure 15 has been used in many of our committee meetings and discussions with financial aid people around the country.

We would also, because of the escalating costs of education, we would also increase the loan maximum. We have used the figure of at least $3,000, and, again, keep the Student Loan Program, to an undergraduate total of $15,000 to cover the costs of escalation.

Further recommendations are that we require the return of all Federal advances by guarantee agencies within a reasonable timeframe, based on an independent determination of the overall financial condition of the agency programs of need.

Mr. FORD. Can I interrupt you, to tell you that just the other day, the committee, while it was doing reauthorization, had to do something called reconciliation on the budget. And, you may have heard a howl from some of the State agencies because we are going to take $50 million back from them, but not until 1988. There is about $175 million out there. Thus far, Massachusetts, the District of Columbia, I do not know of any other program the District is ever first to pay back on; Nebraska, Kansas, Tennessee, and West Virginia have all paid their money back. My own State of Michigan is still sitting out there with $10 or $11 million. Pennsylvania has got even more, they do not need it all. And New York and California. We can pick up $50 million without really hurting anybody, and your agency is below the midline in age, and, therefore, I expect is not as strongly based as some of the others, so the Secretary would be required by what we did to work out a system so that he took it from those who could best afford, given their present portfolio, to lose it, not all of it, but a larger part of it. And the State, I think, the last State to come up was Mississippi, they have such a small fund, that if we took the Federal money back from Mississippi, we would put them out of business. So, obviously, we do not want to do that.

But, a number of the States, as you know, were in this business before we started the Federal Guaranteed Student Loan Program, and had an infrastructure already in place, and got off to a very fast start. And, as a matter of fact, this was one of the late starters here, compared to the big period in the sixties and seventies, when the other States were getting into it. And we have already reached

out and tried to get some of that money; perhaps, by the time we finish with the Senate, that $50 million will go up to $100 million. Even at a hundred we can probably do that without hurting it.

And, I am happy to have—you are the first—a lot of State directors have answered my individual question, can we take some of this money back so we do not have to take money from students without hurting you, and personally, they will say, yes, but officially, in their position, they say, no. And as an association, in their association context, they say, no. But, individually, they are very much like the bankers. We get a different answer from the Bankers Association than we get from individual bankers so I am very pleased to come up to Maine and see that you are willing to step forward and volunteer to do this.

Mr. PAGNANO. Well, I hope that we—we are honest and open, I think that is a characteristic of the State of Maine——

Mr. FORD. I would like to be able to tell Massachusetts, quit bragging that they were the first. [Laughter.]

Mr. PAGNANO. Certainly, with that recommendation, and by the way, the State of Maine has approximately $618,000 in advances that we have presently. We would also tie that in with the next recommendation to require an actuarial study to be conducted on what a guaranteed agency's reserves should be.

We also recognize that, we feel there is a need to retain the 1 percent administrative cost allowance for guarantee agencies. This ACA allowance is necessary to States to effectively administer the loan program, it is a vital for a State like us.

Mr. FORD. Let me interrupt you again to tell you that we did this last week.

Mr. PAGNANO. Excellent.

Mr. FORD. I hope. But, we also mandated the Secretary to pay the money for 1985.

Mr. PAGNANO. Yes, that is——

Mr. FORD. I have been trying to get some of the States to sue, but everybody is reluctant to sue.

Mr. PAGNANO. We have been to a lawyer and he has sent letters on that.

Mr. FORD. Well, he took care of you last week with reconciliation.

Mr. PAGNANO. We certainly appreciate that. And, another recommendation we had with respect to the guarantee, would be to increase the student grade period from 6 to 9 months as it initially was. We feel that this allows a more reasonable time period for the student to obtain employment and, perhaps, in the long run help the default issue.

We also recommend reactivating the loan consolidation program, another issue that you had spoken to earlier. We recommend that other entities, other than Sallie Mae, be allowed to participate, such as guaranty agencies, State secondary markets, and eligible lenders.

We also address another issue that we see and that is the issue of multiple guarantors in the State. By permitting other guarantors to compete with each other in the State, we feel that this only serves to confuse the parents and students. It also reduces the State's loan volume, which exacts reserves to operate the program and increases the possibility of defaults. Although multistate guar-

antors may serve a purpose in some States, I believe they should be prohibited from competing in States that are already providing total access in the loan program.

The next recommendations involve our State Student Incentive Grant Program. We recommend a continued funding of this program in order to increase the, because of the increase in student debt burden and, also to push a more balanced mixture of grant/loan and student support. We also recommend that you consider an incentive aspect of this program, whereby increased Federal funds will provide, if there are more State dollars. We also ask that you require the State to raise $2 for each Federal dollar available rather than the present one-for-one matching requirement. I am pleased to say that the State of Maine has overmatched the Federal requirement consistently in the last 5 years.

And, there is a recommendation to allow a portion of the funds to be utilized for work study activities or an internship program.

This concludes the comments on my testimony, and I would be happy to answer questions.

[The prepared statement of William F. Pagnano follows:]

PREPARED STATEMENT OF DR. WILLIAM F. PAGNANO, ASSOCIATE COMMISSIONER, DEPARTMENT OF EDUCATIONAL AND CULTURAL SERVICES, STATE OF MAINE

Mr. Chairman: We welcome the opportunity to bring to your attention information concerning the importance of, and the need for, continuing federal support for student financial aid.

Ensuring access to higher education opportunities is vital if we are to provide an educated citizenry to meet the challenges of society today and in the future. This effort must involve a coordinated effort between the federal government, state government, institutional leaders and the private sector. No one of these can do it alone so there must be attention given to a sharing of financial responsibilities to provide higher educational opportunities. It is important that federal student assistance programs continue to provide access which helps to achieve the fullest development of the nation's human resources.

It is our belief that the students and parents must share in the responsibilities for meeting the costs of higher education. However, because income levels in recent years have not kept pace with the inflationary spirals and other economic factors resulting from a variety of national and international events, many, if not most families will be unable to provide the necessary funds to meet the costs. Therefore, we are strongly supportive of a continuing federal presence in providing needed student financial aid.

Although there are several programs in Title IV of the Higher Education Act through which student financial aid is provided, the Department of Educational and Cultural Services is directly involved in only two. These are the Guaranteed Student Loan Program and the State Student Incentive Grant Program. I will now speak directly to these two programs to indicate how these have operated in Maine and some concerns we have about their continuance as important parts of the overall student aid package.

Nationally, the GSLP is the largest student aid program, providing over $7 billion a year in loans to over 3 million needy borrowers. In the state fiscal year 1985, Maine guaranteed $45.5 million in the student loan program and $1.7 million in the Parental Loan Program commonly referred to as the PLUS program for Maine students. Since the inception of the program in 1968, we have guaranteed in excess of $300 million to approximately 100,000 students. As you can see, the program objective of providing needy students the broadest access to loan capital in an effort to widen their choice of selecting a school they wish to attend, has been achieved. On the whole, I believe the program has been a successful venture both for our state and the Nation.

Unfortunately, we are now experiencing difficult times in determining just how much support the federal government can provide in the GSLP. In recent months, the federal government has proposed a number of cost reduction methods in this program. We suggest reasonable cost reduction measures. I am very concerned

about the reauthorization process, not only in the GSLP, but also other student aid programs as well.

As stated previously, I believe that the federal government has an essential role in assuring that needy students have financial access to a higher education. Equitable financing of the GSLP for guarantee agencies and lenders, not only to improve program efficiency, but also so that the existance of a program continues is an important part of this role. I recognize that the federal role in financing higher education is, and should be, a cooperative one, and that the primary responsibility rests jointly with the students, parents, and states. For this reason, I understand the enormous difficulties confronting Congress during this reauthorization process.

With respect to the Maine State Student Incentive Grant Program (SSIG) federal funds are provided to the states and these must be matched by state funds. It should be noted that this is a grant rather than a loan program so that funds provided as aid to students do not have to be repaid. It is also a need based program as is typical of most student aid programs.

In the seven years since the Maine program became operative, the state has matched the federal funds as required for three of the years but has overmatched the amount in each of the remaining four years. For the period 1978–1985, the federal contribution has been in the amount of $1.8 million and the state appropriation has been $3.7 million. These combined funds have provided awards of $200–$600 to 14,503 students.

Each year we receive applications for program participation from 13,000–15,000 applicants. Of this number, approximately 10,000 are considered eligible having met all the eligibility requirements while only approximately 2,000 receive funding. The individual awards have not been large in comparison to some programs but do provide a source of financial assistance along with other programs.

It has been our policy to provide funds under this program to as many students as possible and because the number of eligible students was large and the amount of funds limited, the awards have been necessarily small. Although we have been able to meet a portion of the unmet need of those award recipients, there were many students with need that we were unable to fund.

We strongly support the continuation of the SSIG program. Without this and its matching requirement, it is questionable as to whether state funds would be available.

As to future legislation concerning the reauthorization of the Higher Education Act and its attending budgetary consideration, I offer the following recommendations concerning the two programs with which we have the most direct involvement in an effort to improve the programs.

GUARANTEED STUDENT LOAN PROGRAM

Require multiple disbursements of GSL funds. We believe this would reduce default amounts.

Apply a needs test to determine eligibility for all borrowers regardless of parental income.

Require that all new borrowers repay their loans at market rates computed quarterly on the 91-day treasury bill rate plus 3.5%, with a cap of 12%.

Modify the 10 year maximum repayment period to extend the repayment period beyond 10 years.

Increase the loan maximum to at least $3,000 in the GSLP to an aggregate undergraduate total of $15,000 to cover some of the cost escalation.

Several research reports and state data files show that the average default claim paid in the GSL is less than $5,000. In Maine, the average default claim is approximately $3,000. The National Commission on Student Financial Assistance, for example, found that the more education a person receives, the less likely that person is to default and, according to the Student Loan Marketing Corporation, persons with loans totalling $10,000 or more were more likely to repay their loans. Therefore, we support loan amount increases in the GSL, as well as other student aid programs in the belief that these increases will not necessarily result in increased defaults.

Require the return of all federal advances by the guarantee agencies within a reasonable time frame, based on an independent determinaton of the overall financial condition of the agency's program and needs.

Require an acturial study be conducted on what a guarantee agency's reserves should be.

Retain the 1-percent administrative cost allowance for guarantee agencies. This (ACA) allowance is necessary for states to effectively administer the loan program.

Increase the student's grace period from 6 months to 9 months as it initially was. This allows a more reasonable time period for the student to obtain employment.

Recommend reactivating the loan consolidation program, but to allow other entities other than Sallie Mae to participate, such as guarantee agencies, state secondary markets, and eligible lenders.

Consider the issue of multiple guarantors in a state. By permitting other guarantors to compete with each other in a state only serves to confuse parents and students. It also reduces the states loan volume which effects reserves to operate the program and increase the possibility of defaults. Although multi-state guarantors may serve a purpose in some states, I believe they should be prohibited from competing in states that already provide total access in the loan program.

STATE STUDENT INCENTIVE GRANT PROGRAM

Continue funding of the SSIG program in order that the ever increasing student debt burden brought about through loan aid be halted in favor of a more balanced mix of grant, work, loan and student/family support.

Consider an incentive aspect for this program whereby increased federal funds will be provided if more state funds are appropriated.

Require the state to raise two dollars for each federal dollar available rather than the present matching requirement.

Allow a portion of the funds to be utilized for work/study activities or internship programs.

That concludes my testimony—and I would be pleased to answer any questions.

Mr. FORD. Mr. Dill.

STATEMENT OF MR. STEPHEN E. DILL, ASSISTANT VICE PRESIDENT, MAINE SAVINGS BANK

Mr. FORD. I have been trying not to watch you while Mr. Pagnano was testifying. Bankers get nervous when the state guaranty agency——

Mr. DILL. No, we are good friends in the State of Maine. Welcome to Maine, Mr. Ford. Good to see you, sir.

Our bank is pleased to address the proposals that you are looking at for the reallocation of funding for this, and, of course, you have my prepared remarks and I think I will take out some of the highlights from this, and I would hope that you will, as you did with my predecessor, go ahead and ask me any questions you would like.

I would like to hit the areas that we feel—where change is appropriate for the program—and the first of those in our mind is that the increase proposed for the Plus- Program allowing that to go from $3,000 per academic year to $4,000 per student per academic year be authorized, up to a total of $20,000 as an aggregate limit. It is our understanding that that is also proposed to be transformed into an adjustable loan product, and I think most of the lenders who participate in this type of financing can accommodate adjustable rate loans at this point. And I think we are prepared to do that as well.

Again, that would be a positive issue for the budget. The only issue for the budget deficit that would be created by this increase from $3,000 to $4,000 per year, would be the amount of the Federal guarantee, because if the loan rate were to become truly adjustable, then there would be fewer dollars to be pumped in on the Federal subsidy side, but more dollars, of course, being guaranteed per borrower.

We do not share the same sentiment as far as the GSL Program where the student is concerned, in that we feel that the maximum amount of the student loans, as the program exists today, are

about all of the loan volume that the student can possibly bear in the form of repayment as the program exists today.

We would also suggest a combination of GSL and national direct student loan programs which would allow the same aggregate borrowing limit that is now available to the $4,000 a year total, but consolidating both of those programs into the one, and perhaps offering a longer repayment term.

It is our understanding that some $200 million is allocated annually for funding of principal advances on the National Direct Student Loan Program, and while that money would no longer have to be disbursed from the Federal budget, we would also envision the existing funds outstanding on national direct student loans could be earmarked for repayment of default claims for the total program, and thereby reduce the total default expenditure by some $200 million a year, as those moneys come back in. Obviously, this would extinguish itself over a period of time as the national direct loans were repaid, but it would provide a cushion for defaults at least in the near term.

We also understand that the needs test presently triggered with the $30,000 annual income limit remain at somewhere around the $30,000 mark, but that that needs test be formed and based on an index, so that as the consumer price index or the general cost-of-living increases, that that can likewise increase so that families are not cut off from access to the GSL Program 5 or 10 years from now as that $30,000 becomes an antique of sorts as a benchmark.

With respect to the $60,000 potential cap for GSL funding, we support the cap, but we would like some form of potential exclusion to it for certain circumstances, perhaps the analogy of a parent who is closing in on their retirement years and still trying to fund their children's college education. They should not be unduly penalized because of their income if they have several children in college.

As the State feels, our bank also supports, the multiple disbursement process and we anticipate that that will become a reality in the near term, and our computer people are presently working on it, even though our bank is not presently a multiple disbursement lender. We anticipate becoming one by the end of 1985. We will be disbursing in that form in 1986, and in addition to becoming a multiple disbursement lender, we would also support the absence of payment of Federal interest benefits until all the funds are actually disbursed. We have no problem with that.

Mr. FORD. You just made the whole trip worthwhile. [Laughter.]

I went to talk to the consumer bankers in Philadelphia, earlier this year, and was very surprised to arrive and find that their governmental affairs committee had decided that they were in favor of multiple disbursements. Indeed, we find that across the country a lot of banks have been doing it. The problem is that the way they have been doing it, particularly, in California and some of the Midwestern States, it is a very common practice, and the clock starts running on Federal interest payment when the papers are signed, not when the check is written.

And there is a very substantial float that has developed out there.

Now, the administration has proposed that we go to multiple disbursements with the interest running from the time of disbursement. That is one of the suggestions that they made that we feel very sympathetic toward—the difference would be we would shift the float that some banks are now getting, banks and other lending institutions, from them to the Federal Government, and thereby reduce the cost of the program.

This is one of the questions that the Bankers Association always answers, no, we do not want to do that, because we have the extra burden of costs of multiple disbursements and so on. And then I ask them, do you make any other loans in your bank for which interest begins to accrue before you make any expenditures. And they say, no. Then, why should the student loan be any different?

Indeed, there is nothing wrong with this; it is perfectly legal under the present law. But, it is a practice that has grown so widespread that it caught our attention. And, so we have decided to do what they are already doing, except we will keep the interest money. That is in the reconciliation, as well, that we passed last week.

The first year it is a wash. We do not really save any money. But that is for a very strange reason, because the 5 percent that we take off the top from the student will already have been paid before we go into the fiscal year in October, and so the first year you lose, the first school year, you lose that portion of the saving. And the second year, I think it saves us $120 million. And then in the third year, even more. And it produces a good part of the savings we were mandated to make without taking money away from the students, and, in fact, without really taking it away from those banks like yourself who have not been doing that in the past.

It will only cost the banks who have been, sort of, well, doing something that was honest but not contemplated. And, I am very happy to have you step forward again, like your predecessor, and volunteer this. We will be quoting you often to other bankers. [Laughter.]

Mr. DILL. I cannot resist the opportunity then to tell you that we have looked at becoming a multiple disbursement lender in prior years. We have gone through the numbers to determine how much additional revenue we could accrue, as a multiple disbursement lender, and our bank president said, no, because he felt that this was the first hole in the floor of the program that the regulators would close in any reauthorization of it, and, in fact, he did not feel it was appropriate to take advantage of it.

Mr. FORD. Well, I do not know if he talked to us, but he was right.

Mr. DILL. As regards to the repayment of guaranteed student loans, we would like to propose a reduction in the Federal interest subsidy by allowing the repayment structure to be related, or the repayment rate structure, to be related to the term of the repayment cycle. Presently, a student may borrow at 8 percent during the interim period, they lock up the 8 percent for the duration of the term of the loan, which may add 10 years on the repayment cycle, and it has been our experience that few, if any, students will take the opportunity to repay a loan at 8 percent, or the earlier loans at 7, or even the inbetween loans at 9 percent, in favor of

other borrowings which will carry higher rates, but they may have the cash to do so. And it is our proposal that when a loan goes into a repayment cycle, that those who borrowed at 8, continue at 8 for a period of up to 5 years in repayment, if their repayment term exceeds 5 and goes as high as 7 years, the rate be 9, and if it goes over 7 years, that they pick up a repayment obligation at 10 percent.

And we would leave the present formula of the special allowance in place except that we would graduate it accordingly, so that the lender still receives the same yield that they would receive today. I did hear a comment earlier about the difference in the monthly payment that this would make, and dragged out my calculator and came up with a difference of $11 a month between an 8-percent rate over 10 years on $10,000, or 10 percent over 10 years on $10,000, so the borrower who does go for the longer term as opposed to today's borrower going into repayment, would have an $11 per month increase, and I do not think it would be overly burdensome to the individual if they borrowed the $10,000.

With respect to delinquency and defaults, we would like to offer some suggestions. I attended a meeting of the Maine Association of Student Financial Aid Administrators here in Maine this past summer, and offered on behalf of some of the consumer lenders in Maine, that we would come to their various schools and—in tandem with the financial aid staff—offer a counseling session for those students who are approaching an exit interview from school, or we could do it during the regular semester. The suggestion was met favorably, and it is my intention to also go to our State consumer credit committee and now convince them that I have obligated them to do this in the schools, and gain their support, and I think we can have a workable program in our State, at least, that will, hopefully, work toward not curing delinquency and default, but getting to it before it happens, and hopefully instilling the obligation in the student before they even leave school.

I think that has been one of the breakdowns in the process to date, is that, there is not sufficient counseling in the program. We would also like a stronger effort by the State once a default has occurred, because if the student simply lacks the ability to repay the loan, it is likely we will wind up continuing to have to fund default claims. One potential suggestion, and this is the way that the State does recover a substantial amount of money, I believe, against defaulters on child support, where the State department of human services has to pick up the tab, they put the State on—the student or—excuse me, the individual's—automobile's certificate of title, as a second lienholder. And I think most students who complete their education, their first priority is not their student loan, it is the new car, and to find that the State is now a second lienholder on your certificate of title and you cannot dispose of the vehicle, Detroit may not like this, you cannot trade it in until you have paid off your student loan, might be a way to recover at least a certain percentage of this.

Mr. FORD. You will find that most people who are bad citizens and do not pay their loans are driving Japanese cars to begin with. [Laughter.]

We do not have defaulters in those good Detroit cars.

Mr. DILL. We have found that all of the adjustments that have been proposed will have a strong impact on the availability of the quality education for Maine students, and it is our concern that the quality of our work force, which bears a direct relationship to how well they have been educated, still be allowed to borrow today and pay back tomorrow, in order to maintain those standards.

I would be happy to answer any questions.

[The prepared statement of Stephen E. Dill follows:]

PREPARED STATEMENT OF STEPHEN E. DILL, ASSISTANT VICE PRESIDENT, CONSUMER LOAN MARKETING, MAINE SAVINGS BANK

Maine Savings Bank is pleased to be able to address the various proposals surrounding the Guaranteed Student Loan Program and the Parental Loan Program. We are a long-term supporter of both of these programs and I believe that the State's records will show that we are indeed the number one lender in the program for the State's fiscal year ending June 30, 1985. We strongly support the higher education of Maine's young people and return-to-school students as a key to improving the already-high quality of the State's workforce. We therefore have a very keen interest in the future of the Guaranteed Education Loan Programs.

Of the multitude of proposals described by the U.S. Office of Education, I would like to address particularly areas of the program where we feel a need for change is appropriate both for the benefit of the actual participants in the program, as well as for the benefit of the nation's taxpayers.

It is our understanding that there may be an increase proposed to the Parental Loan for Undergraduate Students (PLUS), allowing a $4,000 (per student) per academic year and $20,000 aggregate borrowing limit. We support this increase as we believe eligible parents should have access to a higher amount of loan funds to meet increased education costs. Additionally, it is proposed that the loan to the parent borrower be an adjustable rate loan with the full cost of credit being borne by the borrower. Currently, the parent pays a fixed base rate of 12% and the federal government pays a variable "special allowance" to the lender. If the proposal is adopted, the only potential increase in the liability of the federal government would be the increase in the dollar amount guaranteed. We support this potential change in amount and rate structure, as the budget deficit would no longer be impacted by payment of the special allowance to the lender, and yet it would assure an equitable return to the lender. The parent borrower would benefit from the lower than market rate available on the federally guaranteed loan. Increases proposed for the loan limits to parents and independent students who return to school can be better monitored through the underwriting requirement of the PLUS program. This would recognize the lender responsibility of lending to creditworthy individuals.

While we support increases in the maximum amount of parent loans, we do not support increases in the maximum amount of student loans as the program exists today. We are concerned that the existing annual and aggregate limits are already large enough to create a substantial financial burden for the graduating student. To further increase the student debt may significantly affect the amount and number of loans in default. We would support a revision to the GSLP which would allow students to maintain access to the same maximum loan amounts presently offered by the combination of the present GSL limits and those of the National Direct Student Loan program. For example, the present $2,500 per academic year limit for GSL's could be combined with the $1,500 per academic year limit of NDSL. This would put the lender's capital to work as loan principal rather than continuing to fund NDSL principal by federal allocation. It is our understanding that approximately $200 million is allocated annually to fund the principal advances for NDSL. Combining the programs could also then permit repayments of *existing* NDSL principal amounts to be earmarked for the express or exclusive purpose of satisfying default claims of the single program. I believe the default percentages of NDSL, when compared to GSL, would tend to support a consolidation of the programs with professional lenders making the loans.

It is also our understanding that the "needs" test, which is presently triggered at a $30,000 family adjusted gross income level, is proposed to be required at a reduced minimum income level and with an eligibility cut-off at $60,000 maximum family income. With respect to these limits, we would like to propose that the base remain approximately in the $30,000 range, but that the base be indexed so that it may reflect any subsequent rises in median consumer income and consumer prices and

therefore bear a more true reflection of the family's disposable income. With respect to the $60,000 potential cap, our suggestion is, that it be not an absolute ceiling but rather one which may be exceeded subject to certain qualifications. For example, a parent nearing retirement, who may have more than one dependent college student in the family, should not be unduly penalized as he or she prepares for retirement and a reduced income.

One of the often heard proposals, which our bank does support, is the requirement for mutiple disbursements of loan proceeds where more than one academic term can be defined. Additionally, we support the concept of not allowing any federal interest benefit to accrue to the lender unless the funds have actually been disbursed. I would like to add that this multiple disbursement process, which may require considerable computer programming in order to be cost-effective, is not part of our existing program but we do anticipate implementing the multiple disbursement process later this year.

As regards the repayment of GSL's we would like to propose a reduction in the federal interest subsidy by adopting a repayment rate structure which is related to the term of the repayment cycle. Presently a student may borrow at 8%, plus fees, and has the privilege of continuing the 8% rate during the repayment term of as much as 10 years. A suggested formula for extending GSL's would be as follows: Interim loans: 8% plus fees; repayment up to 5 years; 8%; repayment 5-7 years: 9%; repayment over 7 years: 10%.

The special allowance rate should be maintained in its present formula to retain lender participation in times of higher rate cycles than we face at present. The allowance would be scaled down according to the base rate revision.

With respect to delinquency and defaults, we offer the following suggestions:

The student presently leaves school with a 6-month grace period to find employment and commence payments. There is little, if any, counselling done at the school with respect to the importance of arranging for the appropriate repayment schedule or advising the student of the importance of establishing a positive credit history with the lender. We have proposed to the Maine Association of Student Financial Aid Administrators that lenders and financial aid officers form a cooperative effort to provide at least a general counselling session during the school term for all students who are in the final semester or year of the academic program. The concept was received well by the financial aid officers attending the MASFAA conference. This may become somewhat of a standardized presentation during the exit interview if the concept is adopted. As chariman of our state Savings Bank Association Consumer Credit Committee, I intend to solicit similar support from the lenders in our association.

The default on any loan usually occurs because the borrower has lost either the willingness or the ability to repay. For those who lack the willingness, perhaps placing a lower priority on GSL payments than other obligations, we would propose that any default claim be reviewed by the state agency program staff, matching the borrower identification against Motor Vehicle Department Certificate of Title records. Where it can be determined that a defaulter owns a financed Maine titled vehicle, a second lien may be placed with the Motor Vehicle Division. This is presently done, with some success, to those who fail to pay child support by the Department of Human Services. The vehicle can then be held as collateral and not be disposed of without settlement of the GSL defaulted balance.

The changes to be made to the Guaranteed Student Loan and Parent Loan Programs, either through federal budget adjustments or through the GSL reauthorization process in 1986, will all have a strong impact on the availability of a quality education for Maine students. As mentioned previously, our bank is most supportive of the educational effort put forth by the students, as we recognize the quality of our work force bears a direct relationship to how well they have been educated. The time has obviously come to make some adjustments which will reflect on the purse strings of all Americans but we should not do actual damage to a program which can broaden the tax based by allowing those with higher education the opportunity today, to pay back their obligations tomorrow. I'd be pleased to answer any questions you may have, and thank you for your attention.

Mr. FORD. We will withhold questions until we have had all of the panel. Mr. Duplessis?

STATEMENT OF MR. LUDGER H. DUPLESSIS, PRESIDENT, MAINE TRIO ASSOCIATION

Mr. DUPLESSIS. Chairman Ford, Congressman McKernan. As President of the Maine TRIO Association, and as a former upward-bound student, it is, indeed, a pleasure for me to speak before you today.

I understand that this is part of a long hearing process, and I can also appreciate that it can sometimes be tedious. I also know that you are both intimately familiar with the TRIO programs. Therefore, I shall be brief on that point, as I would also like to touch upon financial aid.

As you well know, TRIO programs were founded to assist bright, low-income students, to realize their academic potential, to seek and attain higher education, and thereby become more fully contributing members of society. And, to me, that last point is very important, because I see TRIO programs as essentially conservative programs. Through the success of the TRIO programs, the cycle of poverty and welfare payments are being broken and are being replaced instead by gainfully employed Americans who are contributing tax dollars rather than taking tax dollars.

I certainly do not wish to be smug, but for the sake of brevity, I only mention that studies done by the Research Triangle Institute and Assistance Development Corp. both prove my point as to the success of the TRIO programs.

On the one hand, we know that TRIO programs are effective. On the other hand, TRIO programs are planning to serve less than 10 percent of the eligible population. On top of this, the present administration proposed a 53-percent cut last year. What we propose would be somewhat different.

For the fiscal year 1987, we would like $400 million appropriated for TRIO. That amount, hopefully, would rise by $50 million until 1991, where we would see the statement, such sums as necessary. This would allow an increase to serve approximately 900,000 participants nationwide, which would still be only less than 20 percent of those Americans eligible for TRIO services.

However, all of this is a moot point without adequate funding for higher education through Federal financial aid.

The question for me is, Why should we encourage students to work hard to get to the front door of the institutions of higher education and then have that door slammed in their face because of lack of adequate funding?

Perhaps a few personal experiences would highlight that need. I, myself, am a member of 15 bilingual Franco-American students, children that are. I guess it may be unusual that there are so many of us in the family. It is not unusual in the sense that there are 400,000 Franco-Americans in the State of Maine. Maybe, they probably were not all from such large families and were not as close to the Canadian border as I was. I could throw a stone into Canada from my house. But, my parents, even though they were American, born American, raised Americans, went to French-speaking schools, are both laborers because they only had eighth grade education. The English that they did learn was mostly through their children, from us, and the way we learned our English, because I

only spoke French until I went to school, was to learn it in the school system. They forbade us to speak French until—unless we were in French class and, of course, we did not have French class until the third grade. It does not make you too happy about going to school that way, it is hard to understand.

But, by the seventh grade, I had become an income giver, instead of an income taker from my family. Through a variety of odd jobs, whether it was mowing lawns, or shoveling snow, or working in the potato houses or potato fields, I was contributing to the family. At that point in my life, certainly putting food on the table was much more important, or at least as important, as education. And it remained that way until upwardbound came along.

As a result of spending two summers with the Upward-bound Program, I matriculated at Bowdoin in the fall of 1974, and I guess that was a good time to be in college, because my Federal financial aid went a lot further than it does now.

Through both my Federal financial aid and through the scholarships I received from Bowdoin, I was able to make it through pretty well. My brother went to the university system. When we both graduated, he owed more money than I did, even though ostensibly his education cost less than half of what mine did.

The problem is that the different institutions here in the State of Maine do not fund students adequately, often cannot, from low-income families such as my own.

I give you a few examples from the students that I serve, students that have gone to college this year. At Bates College, which is the most expensive of the ones that I will mention, a student that is there is getting a thousand dollar NDSL, expected summer earnings of $800, and the rest is on scholarship.

The least expensive of the other schools is one of the State university branches. The student has to come up with summer earnings, campus work study of $1,000, NDSL of $750, and a GSL of $2,350.

At the University of New England, I have a student who is there, who—her self-help for going to college in 1 year is as much as the welfare family, her family, is receiving for the whole year.

I have another student at St. Joseph's College, who NDSL is $600 along with work study and summer earnings, has a GSL of $2,500.

Too often the students are telling us that they are not applying for the programs because of this fear of lack of financial aid. But, what is worse, three of the seniors in our program this year did not go to school this fall, as a result of lack of funds.

In terms of the continuing role in Federal financial aid, we would propose it be the following. In terms of the Pell grant, whereas as formerly with the BEOG, it used to cover roughly up to 46 percent of the cost of a low-income student's education. It now covers, at best, about 25 percent. Its effectiveness, therefore, has become increasingly less significant, so if there is to be a raising of any ceilings, our choice would be to raise the ceiling on the Pell grant, first; because in its present state it simply no longer does what it was intended to do, or as well as it was intended to do it.

In terms of the supplemental educational opportunity grant, which was also designed to assist these low-income students, it is now poorly funded and dispensed too liberally in terms of being

given to too many people for the funds that are there. This results in amounts that are merely a drop in the bucket. We would recommend additional funding with the provision that 150 percent of poverty be the criteria for eligibility. And I think that this would help it to go a lot further in fulfilling its purpose.

For the NDSL, as you know, another program designed to supplement the Pell grant for low-income students. It, too, has become inefficient. For 150 percent of poverty students, if there has to be a raising in terms of borrowing, the NDSL ceiling is what we would prefer to be raised. Correspondingly, increases in the availability of NDSL funds should be made to the campuses. As you remember from the students that I talked about a few moments ago, the smallest NDSL was $600 before the full GSL of $2,500 was required.

Currently, $1,500 is the maximum per year for NDSL, but they are not getting anywhere near that, because there is not enough money to go around. If there was $2,500 a year, for instance, for NDSL students, 150 percent of poverty, we would like to see them getting the full NDSL before they see any GSL at all. And, preferably, there would be no GSL for those students.

As far as the GSL is concerned, although it was originally intended for the middle class with the cash-flow problem, they are increasingly being turned to by low-income students, and that reason is simple. The cost of education, for higher education, has risen dramatically and financial aid has lagged far behind. We feel that the GSL should loan program, while the streamlining of programs is certainly popular with the present administration, and in some ways it makes sense, but what happens is that the resulting interest rates would hit the low-income students the hardest. For those students, Mom and Dad are not there to help repay the loan once they get out of college. The low-income students coming out with big loans simply do not have the parents helping them out. That was the case with several of my middle-class friends who I went to college with, who came out and had their parents pay their loans for them.

I guess what we are stressing is that the responsibility not be taken off the parents to fund their children's education, and that students borrow only as much money as is necessary to fund the remainder of the cost of their education. These loans should be incremental, with the lowest loans possible during the first 2 years of college, and higher loans in the successive years. And, I think that would do two things: One, it would not scare away the low-income students the way it is scaring them away now; and two, I think it would help on the default rate by not having students who are not completing college and having, you know, being overburdened by debt.

We agree wholeheartedly with the philosophy that students, whether they are from low-income or high-income families, ought to contribute toward their education. However, when their fair share becomes such a burden as to preclude their attendance, we think that we need to rethink financial aid policy. We need to be more equitable and we certainly need to be more compassionate.

The alternative is a population by the turn of the century that is totaly unprepared for our increasingly technological society, and it

is also going to produce an ever-widening gulf between the haves and the have-nots in America. I, for one, remain unconvinced that the savings today through educational budget cuts and a short-sighted financial aid policy are worth tomorrow's cost in human misery and inadequate preparation to live a fruitful life.

That is my statement for now, and I would be glad to answer any questions.

[The prepared statement of Ludger H. Duplessis follows:]

PREPARED STATEMENT OF LUDGER H. DUPLESSIS, ASSISTANT DIRECTOR OF UPWARD BOUND, BOWDOIN COLLEGE

As President of the Maine TRIO Association, and as a former Upward Bound student, it is indeed my pleasure to speak before you today.

As you know, TRIO programs were established to assist bright, low-income Americans to realize their academic potential, to seek and attain higher education, and thereby become more fully contributing members of society. This last point is very important. TRIO programs, despite being founded by Great Society legislation, are very *conservative* programs. By the success of these TRIO programs, the cycle of poverty and welfare payments is being broken, and being replaced instead by gainfully employed Americans *contributing* tax dollars, rather than taking tax dollars.

Although I prefer to speak more about the human condition and the continuing success stories of TRIO programs rather than speak about confusing and impersonal statistics, I think that at least a few enlightening statistics are necessary.

Research Triangle Institute's national study found that 91 percent of Upward Bound graduates go on to college and are four times as likely to receive a baccalaureate as similar students who do not have benefit of these services.

According to a 1982 study by the Systems Development Corporation, Special Services students who receive counseling, tutoring and instruction are more than twice as likely to stay in school as are similar students who do not receive such support.

I could continue, but I believe the point is made. TRIO programs work. Yet, despite this success, there are gloomy figures as to *Need.*

The American council on Education reported in the fall of 1984 that there were higher numbers of Black and Hispanic high school graduates betwen 1975–1980. However, a lower percentage of them were going on to college.

The American Association of State Colleges and Universities reports that Blacks, Hispanics and Native Americans continue to be underrepresented in four-year colleges and universities.

(As an aside, even though Maine has a small population of Blacks, Hispanics and Native Americans, it is not free from ignorance and prejudice. In the late 1960's, a public high school principal told the Upward Bound recruiters not to waste their time on the local Native Americans. After all, none of them graduate from high school, much less go on to college. The Upward Bound recruiters persisted, and to this day, the only Native Americans going on to postsecondary education from that school are likely to be Upward Bounders as well. This still says nothing of the 40 percent Franco-American population that is both historically and presently underserved in Maine.)

The AASCU also noted that a lack of funds forced students attending college to "trade down from more expensive to less expensive, and from less expensive to non-enrollment." It also pointed out that participation rates of Black students have dropped 11 percent, and that students from families with incomes below $10,000 have dropped 17 percent since the mid-seventies. (Believe me, there are a lot of Maine students in the last income bracket!)

What is particularly alarming is that the groups I have just spoken about are precisely the groups that TRIO programs are designed to serve. Indeed, more than 20 percent of Black and Hispanic college freshmen have contact with one of these programs.

On the one hand, we know that TRIO programs are successful, while on the other hand, TRIO programs are funded to serve less than 10 percent of the eligible population. On top of this, the present administration was proposing a 53 percent cut in TRIO funding.

What we propose is somewhat different. For the fiscal year 1987, we would like to see $400 million appropriated for TRIO. By FY 1988, that should rise to $450 million; by FY 1989, to $500 million; by FY 1990 to $550 million; and by FY 1991 we would like to see "such sums as necessary." This would allow for an increase to

serve approximately 900,000 eligible participants nationwide, still only less than 20 percent of those Americans eligible for TRIO services.

However, all of this is a moot point without adequate funding for higher education through federal student financial aid.

The question is: Why should we encourage students to work hard to arrive at the front door of our institutions of higher education only to have that door slammed shut in their faces due to a lack of financial aid?

Perhaps a few personal experiences would help to highlight the need.

I am from a family of fifteen French-speaking children, born and raised in a house but a stone's throw from the Canadian border in Northern Maine. Both of my laborer parents have an eighth grade education. Despite the fact that they have been American citizens all of their lives, they learned to speak English primarily from their children who themselves had learned it at schools where they were forbidden to speak French on the school grounds.

In the seventh grade, through odd jobs and sometimes near-full-time employment, I became an income-giver rather than an income-taker. At that time, getting food on the table was at least as important as getting an education. It was not until Upward Bound plucked me from my dilemma that I began to realize what an education could really do for me.

After spending two summers with Upward Bound (a struggle in itself through feelings of guilt knowing that all of my siblings remained toiling in the fields as I went off to see my first Shakespearean play), I matriculated at Bowdoin College in the fall of 1974. It was a fortunate time to enroll at college. Along with my federal financial aid (which went much further then), Bowdoin offered me substantial scholarships. Without the two, I could *never* have afforded college. You see, in 1974, with a family of ten to support, my father earned $5,600. My budget at Bowdoin was $6,400!

Another brother was at the State university system. When we both left school he owed more money than I did, despite the fact that his education's price tag was less than half of mine. The difference, you see, is that not all schools, whether high-priced or low-priced, can offer the necessary financial assistance for low-income youth to attend.

This is the reason why it is critical to have an increase federal role in financial aid.

To further illustrate the point, the following figures are the self-help portion of four of our recent Upward Bound graduates matriculating at four different Southern Maine colleges/universities. They are all full-need students with a Pell Grant estimated index of zero.

Student A: St. Joseph's College	
NDSL	$600
CWSP	500
GSL	2,500
Expected summer earnings	800
Total	4,400

Student B: University of Maine at Farmington	
NDSL	$750
CWS	1,000
GSL	2,350
Total	4,100

Student C: University of New England	
NDSL	$1,000
CWSP	800
GSL	2,500
Expected summer earnings	900
Total	5,200

Student D: Bates College	
NDSL	$1,000
Expected summer earnings	800
Total	1,800

What is plain is that student D has the lowest self-help portion of any of the four, yet the actual cost of attendence is also the highest. The state university branch, despite being the lowest cost, has the highest percentage of self-help of any of the other schools. Finally, for student C, her self-help portion is roughly equivalent to her parent's yearly welfare assistance!

Too often, students tell us that they are not applying to our programs because of this fear of inadequate financial aid. Worse, three of our students this year are not attending college due to a lack of funding.

In terms of a continuing federal role in financil aid, the following are our proposals:

(1) The Pell Grant—Whereas the Pell Grant (formerly the BEOG), used to cover 46 percent of the cost of an education for low-income students, it now covers, at best,

only 25 percent. It's effectivenssss therefore, has become increasingly less significant. If there is to be the raising of any ceilings, the Pell Grant would be our first choice. Twenty-one hundred dollars clearly doesn't go as far as it used to.

(2) The Supplemental Educational Opportunity Grant—Also designed to assist the low-income student, it is poorly funded and too liberally dispensed, resulting in amounts that are merely drops in the bucket. We would recommend additional funding with the provision that 150 percent of poverty be the criteria for eligibility. This would go a long way in fulfilling its intended purposes.

(3) The National Direct Student Loan—Another program designed to supplement the Pell Grant for low-income students, it too has become inefficient. For 150 percent of poverty students, if there must be a raising of borrowing limits at all, the NDSL ceilings should be raised. Correspondingly, increases in the availability of NDSL funds should be made to the campuses. As was seen by the students I listed, the smallest NDSL was $600 before the maximum $2,500 GSL was also required, whereas the largest NDSL with a corresponding $2,500 GSL was $500 less than the allowable $1,500 yearly NDSL. Before any TRIO eligible student should have any GSL at all, they should be given the maximum NDSL allowable. Preferably, no GSL would then be necessary.

(4) The Guaranteed Student Loan—Although originally intended for the middle class with a cash flow problem, they are increasingly being turned to by low-income students. The reason is that college costs have escalated dramatically while financial aid has lagged for behind. The GSL should return to its former role with a cap as to eligibility. That, I know, will be hotly debated.

(5) The combining of GSL and NDSL programs into one loan program—While streamlining of programs is popular with the present administration, the resulting higher interest rates would hurt the low-income student the most. (Mom and Dad are not there to help repay the heavy loans once the low-income student is out of college, as was the case for several of middle class college associates.) It would also be dangerous if the combining of loan programs were interpreted as a green light to allow for even more borrowing by college students. What should be stressed is that the responsibility not be taken off the parents to pay for their children's education and that students should borrow only what is absolutely necessary to finance the remainder of their educational costs.

These loans should also be incremental, with the lowest possible loans during the first two years of college and higher amounts during the latter two years. This would be beneficial in two ways. 1) It would not scare low-income students away from college as they are being scared now. 2) It would reduce the default rate from students who do not complete college, but are overburdened with debt.

We wholeheartedly agree with the philosophy that students, whether from low-income or high-income families, ought to contribute toward their education. However, when their "fair share" becomes such a burden as to preclude their attendance, we need to rethink our financial aid policy.

We need to be more equitable and more compassionate. The only alternative is a population by the turn of the century that is totally unprepared for our increasingly technological society—and an ever-widening gulf between the "haves" and the "have-nots" in America. I, for one, remain unconvinced that the savings today through educational budget cuts and a short-sighted financial aid policy are worth tomorrow's costs in human misery and inadequate preparation to live a fruitful life.

Mr. FORD. We already have under consideration a draft that the staff, the majority and minority staff, prepared for our consideration. And I am wondering how you got into them so quickly. Have you been talking to Mitch?

Mr. DUPLESSIS. Next best. My division in Chicago, who heard you yesterday. [Laughter.]

Some of them, anyway.

Mr. FORD. This is Tuesday, I'm in Maine; yesterday, it was Chicago.

Indeed, the minority member who has been working with this and his staff and my staff are trying to proceed along some of the lines that you are talking about here, and we do not think that it is going to cost all that much money to do it. We have some ideas about some other places to get it. So I appreciate very much having

that thrown back at me so fast. It was only noon yesterday when I made that speech.

Mr. DUPLESSIS. It was only 1 yesterday when I heard it. [Laughter.]

Mr. FORD. Mr. Quirk. Hold on just a second. We need a new cassette here.

STATEMENT OF MR. ALFRED T. QUIRK, DEAN OF ADMISSIONS AND FINANCIAL AID, DARTMOUTH COLLEGE

Mr. QUIRK. Like you, being one of the few non-Mainers in this room, but I never feel like a guest in Maine, I always feel very much at home as we share very much in common.

We are a small college in New Hampshire. More properly we could be identified as a university inasmuch as our professional schools report to the president and the board of trustees. However, my responsibilities as Dean of admissions and financial aid have to do with the undergraduate population only. I mention the professional schools at Dartmouth, because they, too, have the same commitment that we have and, of course, have a special commitment to northern New England.

We are, as this committee knows, members of the Consortium on Financing Higher Education, and I am aware that they have testified before you, and we are in agreement with most of the proposals which you have heard, and there is not a wide discrepancy so far as I can see among most of the professionals that have testified.

What I would like to do, if I may, this morning, is to use Dartmouth as an example of the way in which the present delivery system works, and make a few recommendations.

I hope this will help focus the concerns and illustrate our reasons for our positions which are consistent with much that you have already had.

For the fiscal year which ended in June, we budgeted $7.8 million for scholarships; that was grant money from Dartmouth College for about 1,500 undergraduates. In addition to the scholarship dollars, we expect the students to provide $3,550 in self-help, a very high number. Typically, that included guaranteed student loans and a campus job. In this mix of financial aid for all the students, we are providing institutional funds to the extent of $7 million per year, the Pell and SEOG of about $1 million, college work study of about $780,000, and GSL and NDSL to the extent of about $5.5. So, in effect, we are partners, we come out almost equal partners in this.

We also are making use of ALPS money and DELC money, and as most know, these interest rates are 13.5 and 10.9, respectively, and these are difficult to add on for most parents. DELC loans do not require payment during the undergraduate years, they start afterward; however, ALPS payments start as soon as the students are, shortly after the student gets a loan.

Now, we have tried to allocate our loans so the students with the highest need get NDSL and GSL loans; and students with the lowest needs receive GSL help or DELC loan. We are finding that more and more families need to take out two loans. And, this is the reason we recommend raising the maximum GSL to $3,000, for the

freshman year; and $3,500 to $4,000 each for sophomore, junior, and senior years. We are in agreement with most of the recommendations in regard to the interest rates and so forth.

I would like to get to the dollars as to what they represent to us. The $8 million per year, which we are assuming that we will spend from institutional funds next year is approximately the money that was raised by our alumnae fund only a few years ago. We speak of this as a living endowment. This is money which is unrestricted as it comes to the college. But, obviously, there is only a slight lag between what we are receiving on the one hand, and what we are disbursing on the other. The worse case scenario would project the rate of increase in scholarship dollars, grant money from Dartmouth, that might even equal tuition revenue in the year 2000. This obviously is impossible if the institution is to remain solvent.

We cannot be allocating the same amount in financial aid that we are receiving in tuition revenue.

The other point that I would like to make is that one of our aims in establishing an undergraduate mix is to avoid bimodality in the undergraduate body. We know that there are many many families who will pay whatever we charge and not be too concerned about the cost. Those will be some of the people, perhaps, driving the Japanese cars—you did not mention those who would be driving Mercedes and still be in default.

The other population, we have on the one hand the population where cost is of no concern; on the other end, students with maximum need, which we intend to take care of for as long as we possibly can. That will be the—those will be for the foreseeable future. I cannot imagine that at any point we would not take care of those students. However, those in the middle; the gap could widen between those in the low end and the high end, and, in effect, we would have only the very rich and the very poor, another very difficult scenario to envision.

And, as we talk about that middle group, more and more we are talking about families with adjusted gross income of somewhere between $30,000 and $50,000 a year. We have seen this growing trend; of course, we all have in a Nation of two incomes, and $30,000 to $50,000 is not a lot of money for a family educating its children, with mother and father going in different directions to their jobs, with all of the attendant costs.

We have a great concern for that group and we would like to feel that—someone previously referred to the partnership which exists between the Federal Government and postsecondary education and, of course, the States. However, there is the other component. We try to emphasize to families that they are in this as much as we are. In a sense this is a tripartite undertaking with the institution, the families and, of course, the Government. And each is really as important as each leg on a three-legged stool. We do not see how the present system can continue without the strong support from all three.

I make one final point if I may. I have responsibilities in my office, for admissions and financial aid, and coming to this from the admissions side, the technical work is very ably done by our director of admissions and the director of financial aid, and I know that Walter Moulton who will testify later today represents the people

who, from coast to coast, are concerned in a very very professional way. I mention this because I think that the services that are provided by the institutions and the professionals that are in this field, are providing testimony, and I am sure that you have recognized this, which is the result of a lot of careful thinking.

All of us in higher education are grateful for the opportunity to convey our thoughts to this committee, and I would be glad to answer any questions that I have stimulated.

[The prepared statement of Alfred T. Quirk follows:]

PREPARED STATEMENT OF ALFRED T. QUIRK, DEAN OF ADMISSIONS AND FINANCIAL AID, DARTMOUTH COLLEGE, HANOVER, NH

Dear Mr. Chairman: Good Morning. I am appreciative of the opportunity to appear before the Subcommittee on Postsecondary Education of the United States House of Representatives this morning. My name is Alfred Quirk and I am Dean of Admissions and Financial Aid at Dartmouth College in Hanover, New Hampshire. Dartmouth was chartered in 1769 and is still properly identified as a college, but for practical purposes could be considered to be a small university inasmuch as the President and the Board of Trustees are responsible for the administration of Dartmouth Medical School, the Amos Tuck School of Business Administration, and the Thayer School of Engineering. My responsibilities at Dartmouth College include undergraduate admissions and undergraduate financial aid. I mention the professional schools at Dartmouth because they, as well the undergraduate college, have a significant commitment to the education of qualified men and women regardless of family resources.

We are, as this Committee knows, members of the Consortium on Financing Higher Education, and we are aware of the number of various organizations and agencies who have had the opportunity to offer testimony to this Committee. We feel very strongly that the cooperation of the various colleges from coast to coast and the efforts of the numerous not-for-profit organizations, including but not limited to such organizations as the ACE, CSS, and NACAC have resulted in a system of providing financial aid to needy families that has come very close to meeting the twin objectives of equality and equity. At the same time all of us realize that without the support of the Federal Government, it is almost a certainty that few colleges, if any, could hope to provide either equality or equity for a significant number of needy students. I would like to use Dartmouth as an example of the way in which the present delivery system works and make a few recommendations. I hope that this will help focus our concerns and illustrate our reasons for the recommendations we make, most of which are consistent with those already presented to this Committee.

For the fiscal year which ended in June, we budgeted 7.8 million dollars for scholarships for about 1,500 undergraduates. In addition to the scholarship dollars, we expected students to provide $3,550 in self-help, typically that would include Guaranteed Student Loan and a campus job. In this mix of financial aid for all students we are providing institutional funds to the extent of 7 million dollars per year, Pell and SEOG dollars of about $1,000,000, College Work Study funds of about $780,000 per year and GSL and NDSL to the extent of about 5.5 million dollars per year. In effect we are equal partners of the Federal Government in financing students who have demonstrated need. We are assuming that this will be very similar to what we will do in fiscal 1986.

We expect 1986 to be similar in many ways to 1985, but we have increased self-help of the financial aid package to $3,750, which we feel is as high as we should go at the present time. It necessitates 2 loans in many cases. In other words, in addition to GSL and NDSL we provide loans from DELC and ALPS, the Dartmouth Education Loan Corporation and Alternative Loans to Parents and Students sponsored by the New Hampshire Student Higher Education Assistant Foundation. These loans are co-signed by parents and students. The interest rate of ALPS loans is 13.5% and DELC loans is 10.9%. Payment on ALPS loans starts 30 days from the date of the first disbursement and extends for 12 years and 2 months with no prepayment penalties. The DELC loans do not require payment of principal until four months after the students have left Dartmouth, but interest accrues from the date of borrowing.

We have tried to allocate our loans so that students with the highest need get NDSL and GSL loans, and students with the lowest need receive GSL and ALPS or

DELC loans, which is the reason that we recommend raising the maximum GSL to $3,000 for the freshman year and $3,500 to $4,000 each for sophomore, junior and senior years. To balance out the increased cost of raising these maximums, we would recommend phasing out the interest subsidy starting the second year after graduation, shaving the bank subsidies by ¼%, and requiring multiple disbursements by banks. If necessary we would advocate raising the interest rate from 8% to 9%.

We would also recommend that independent students should be 23 years old or older or orphans or wards of the courts (with the option of financial aid office documented exceptions such as abused child, etc.) for eligibility.

In regard to the scholarship portions of the financial aid packages, we would recommend that Pell and SEOG be increased to keep pace with the rise in CPI, at least. We recommend that Pell be campus administered; we also recommend that aid money and aid equity or grants in divorce or separated cases should be based on the status of both parents, not (as at present) solely on the "custodial" parent who typically has the lower income.

We would recommend reinstating the requirement to target SEOG dollars to high need students and concomitantly increase maximum awards to $4,000.

For NDSL we would recommend raising the undergraduate maximum to $6,000, especially if the $1,500 freshman year maximum were to be imposed. That, of course, could mean that more than $3,000 would be permissible for junior and senior years.

In administering financial aid we have tried to make several points. We have tried to make a point to parents and students that their thinking as well as ours should be financing education rather than simply obtaining financing aid. In other words, we are suggesting that this is a long-term investment which, of necessity, must involve both parents and students in almost every case. Therefore we must consider family resources, summer earnings, previous savings, term time employment, loans, as well as grant money and loan money available from the College and from other sources, notably the Federal government in most cases.

In a positive way we have tried to discourage an entitlement mentality. For example, we point out to all students, not just financial aid students, that the tuition charge represents less than 50% of the cost of instruction. We also point out that the amount of Dartmouth money allocated for financial aid grants ($8,000,000 for fiscal 1986) is equivalent to the amount raised by our Alumni Fund only a few years ago. In other words our Alumni Fund, commonly spoken of as a "living endowment", is running only a few million dollars a year ahead of what we allocate each year in grants to undergraduates. We also point out that much of what the institution can do on a yearly basis is possible only because of what others have done over the long history of the institution in establishing and enhancing the College's endowment. The worst case scenario would project a rate of increase in scholarship dollars that meant it would equal tuition revenue in the year 2000—an obviously impossible event if the institution is to remain solvent.

The other point we try to make to all is that one of our aims in establishing an undergraduate mix is to avoid bi-modality—in other words to avoid two populations, one coming from family backgrounds where cost is of little or no concern, the other population from families where there is maximum need, a need so great that Dartmouth would one day have no funds available for middle income families, defined roughly as those whose family adjusted gross income would be $30,000 to $60,000 per year.

What we have seen as a growing trend is family income which is the result of two incomes, obviously a national phenomenon, one which most will agree will continue to increase. We estimate that about 38% of our students are in the category of those from families without significant concern for the cost of the Dartmouth education, 20% are in the category of those we would classify as having high need. We have a great concern about those in the middle who for reasons with which we are all familiar will have big debts at graduation. This will undoubtedly affect career choices, and we are also concerned that those students and families might reach the point of limiting the number and type of institution to which they apply mainly because they feel that adequate financial aid will not be available to them.

We strongly feel that the present partnership which exists between the Federal government and post secondary educational institutions provides opportunities for students and families to share equally, given different resources, in this extremely important investment in the future. In this tripartite undertaking each of the three segments, the Federal role, the college role, and the role of the students and parents is as important as each leg on a three legged stool. We in the colleges and universi-

ties have to continue educating parents and students about the importance of their parts.

I would like to make a final point if I may. As Dean of Admissions and Financial Aid I have responsibility for both areas. Inasmuch as I came to this position from the admissions side, the day to day operation of the Financial Aid Office is in the very capable hands of the Director of Financial Aid, H. Harland Hoisington, who is well known to the financial aid community from coast to coast. I mention this because he and people like Walter Moulton who will testify here today, I understand, represent a community of professionals who are totally dedicated to allocating all funds available to them in a responsible way. I should also pay tribute to the Director of Financial Aid at the University of Southern Maine who had the wisdom to pick the winning number at the first drawing of the Tri-State Lottery in Maine, New Hampshire, and Vermont. I think he has pointed the way for all of us.

I mention these personalities, because from the admissions side of college administration I have seen the financial aid profession grow from the beginning of the College Scholarship Service thirty years ago to the position which these officers occupy on almost every college campus from coast to coast. Their services are more than disbursing money; they include financial counseling, in a thoroughly professional, business like, and compassionate way. I realize that it would be unrealistic to expect unanimity of opinion from this community; however, it would be my opinion that within the hundreds of pages of testimony presented to you, the testimony presented by representatives from the financial aid community, collectively, represents a very high level of careful thinking.

I should also add that all of us in higher education are grateful to this Committee for its thoroughness in exploring and evaluating all aspects of this most important issue: financing higher education. Thank you for providing me with this opportunity to testify.

Mr. FORD. Thank you very much. Most of you have referred, at least obliquely, to the word, default. We suffer from a public perception that a large percentage of the people who receive student loans do not pay them back. The facts are that, nationally, we have about 5 percent of all of the oustanding loans that are classified as being in default. That does not mean that we will lose them, it means that they are not current.

Recently, the Department of Education changed their definition of default, and then the Secretary who got part of his training up here, delivered himself of one of his great, wise press releases and, unfortunately, the people who read about education in the newspapers are wont to think that a press release out of the U.S. Office of Education has value, and they print it. So what we are hit with right in the middle of all of this is a reawakening of newspaper stories all over the country that the default rate has gone out of hand, and it is going to cost us billions of dollars and so on.

We do not think they justify the numbers, but that is no impediment to the Secretary—he throws numbers around— one I am sure that Mr. Dill has heard is that there are 13,000 children or people of this country last year, from families of $100,000 income or more, who had their college education paid for by the Federal Government. He has not even mentioned some help. We searched throughout the country for those, we have had all of the organizations and you may have been contacted to find out if you had people like that. We found one in Massachusetts, they brought him to us. The daughter of a doctor who last year made $125,000. There are four children in the family in private schools this year. The total family bill for tuition and dormitories for those four students is something like $54,000. One of the four students qualified for and received a $1,000 guaranteed student loan. That is the best we could come up with with all the schools that the New England Association researched for us.

The 13,000 figure, however, still hangs out there. And I am confronted with it constantly and the high default rate. Maybe, Mr. Dill, you could comment more specifically, or Mr. Pagnano, what is the overall guaranteed student loan default rate for the State of Maine?

Mr. PAGNANO. We use a net default rate of 3.4, a gross of 7.3. We have also taken strong measures, we are participating in the Federal offset on income tax, and we are also initiating in our State, a State income tax offset.

And I agree with you, it is a perception issue, and I think it is a serious issue that we in the guaranteed student loan business have to deal with, and I think we have to assure the public that we are doing all that we can as a State agency to remedy this situation. I have read the press releases and it does give a black eye, I think, to a program that does not deserve it.

Mr. FORD. Well, it causes a good deal of confusion. I find Mr. Dill, for example, that when I attend a function with Michigan bankers or board members and the presidents of banks, that they will single me out and say, oh, you have something to do with the guaranteed student loan program, when are you going to make the kids pay their money back? And, I say to them, does your bank make loans? Why, sure, we do. Do you have anything to do with that part of your portfolio? Well, no. What is the default rate at your bank? I don't know. Well, why do you tell me it is 25 or 30 percent across the country if you do not even know what it is in your own bank? Why not go back to your own bank, ask the person in the bank that takes care of it what your default rate is, and if it is more than 5 percent, give me a call, and we will find out why he is doing something wrong.

Now, what is your experience?

Mr. DILL. Our experience has been very favorable over the 14 years that I have been involved in the program. I am not directly involved now in default or delinquency control. But, in prior years, I would say our default rate was comparable to the rest of the State, if not, in fact, below it. Since 1980, our default rate is slightly higher than the State average and quite frankly, I think it is because of our participation at that time in the secondary markets, where we were selling some of our portfolio to secondary markets, and what we were retaining were the loans that were not saleable, because the secondary market originally looked to a high average balance per borrower as a requirement or per requisite at the savings and loan. So, I typically sold the loans for the student who attended Dartmouth, a higher cost institution, and I wound up keeping the loans for the students who were in a 1 or 2 year program who often dropped out and then subsequently wound up with delinquency and default percentages.

Our default rate has been as high as 7 percent. And I think it is slightly under that at the present time.

Mr. FORD. We have taken considerable pains, and as recently as 1978 through 1980, the default rate was more than double what it is, probably around 12 or 13 percent. The occupants of the new Education Department after we created the Department, were shocked to discover that in the entire history of the program, the Federal Government had never sent a single letter to a single bor-

rower, saying, do you realize you owe us money, you are in default, will you pay it? So, the Carter administration brought in a prominent businessman from New York—they are always prominent, they come from New York—and he sat down with it and he said I am going to straighten this out in a hurry. After a few weeks, we met with him again and he was looking kind of haggard and worn, and I asked him what his problem was, and he said, well, do you realize that they have been keeping track of these things to the extent that they have on 3 by 5 cards in a shoe box, and here is a man coming out of an environment of computers, he could not believe it. So, it took them close to a year just to get the loans on a computer. And then they fired up the computer, and sent the first letter and to no one's surprise, more than half the letters came back undeliverable because the loan was made 10 years ago in California, the student is now living back in New England, or the other way around, and there was no followup, and there was nothing coming from the top in successive administrations.

That has been improved greatly because of some of the things that were done in 1980 reauthorization, focusing attention on it. And the result is so remarkable, that it just says, why didn't we do that before? There are some more things that we are contemplating. But one of the things that I have tried to look at, struggling with this, because it is the biggest public perception problem we have in reauthorization, that people get money and then the bums do not pay it back. That is the way I get it from my blue collar constituents. And, we have looked at who it is that is in default, and we discovered that most of them started out at low income and continued after they finished whatever they did in school at relatively low-income positions, and their ability to pay that bill or any other bill is therefore not very great.

Second, most of them are unemployed at the time that they go into default. But, then you look at the characteristics of them, and you find that the student who drops out of school, a 4-year college during the first year, is most likely to be the defaulter, and when you just mention the size of the loan; I labored for years under the impression that the student who came out with $25,000 in debt would be the most likely defaulter, that is not so. The most likely defaulter is somebody who owes between $1,000 and $3,000, because they did not get what they went to school for. They dropped out of school, and it is like buying an automobile and the thing will not run, you really hate to pay the banker the payments on something that will not work. And that is sort of a natural human reaction and we find that the facts are contrary to the impression that it is people with Ph.D.'s, who just say, why should I pay for it, because I am not satisfied with my job, that is a stereotype that has had a lot of play in the media.

What we really find is that defaulters are the kind of people who cannot pay other bills as well, things are not going well. But there are some predictors, and so we are looking and I have heard the suggestion here, at varying the amount that they can borrow, so that 4 year students would not be able to borrow as much, although we want to increase the limits for everybody. We would not increase those limits for the first and second-year students in a 4-year college; the third and fourth year student could borrow more

money, and the graduates even more, because the probability of their ability to repay that money goes up as they complete successfully more and more of their education.

That does not necessarily discriminate against the person who goes to a community college for 1 or 2 years, because they are relatively low-cost institutions to begin with, and they generally are programs that, if they are not aimed as being prep school for 4-year colleges, are aimed at a job-related skill, paramedics, paralegals, and office skills, things of that kind. And they go into the work force right away, so we find that there is not a correlation between a 2-year student's likelihood to default and a 4-year student's likelihood to default. The question is whether they finished what they started to do. If they went to a proprietary school for 6 months and completed it successfully, not very many of them end up in default. But if they drop out of that proprietary school or do not complete it successfully, there is a high probability they will be in default. Not much different than the way you try to appraise people who borrow money to build a house or buy a car.

And we cannot seem to get the newspapers to concentrate on how well this is going. Now, admittedly, when we started these programs, they were new to bankers, they were new to all of the lenders, and it took us a long time, as a matter of fact, in many part of the country, to get banks into the business. It took a long time to get State guaranty agencies started. There was a strange reluctance in many States and we sort of blackmailed, if you will, some of the Western States into coming in by threatening to let Sallie Mae go in and become a lender, a primary lender, and then their bankers got hold of their legislature and said, wait a minute, you had better get a guaranty agency, we do not want the Feds in here, and that Rocky Mountain area has such a fear of the Federal Government that they would rather do it themselves if you threaten to send the Feds in. As a matter of fact, Sallie Mae does do it, but it does not make primary loans, it acts as a guarantor of the secondary market for them.

It seems that both people in the educational institutions and the banking and financial community have matured with these programs now, so that they run much more efficiently. And, I find it kind of interesting that you read so much critical about them and just recently Sallie Mae sold a number of their bonds, you know, that they have to finance with taxable income, they are not a tax-exempt institution. They sold a very substantial number of their bonds through a combination of Japanese and German banks, and the currency is something called a Euro-Yen. Maybe as a banker you know what that is. It is a protection, I guess, against the fluctuation of two currencies against the dollar. But, I do not think that the German and French bankers have ever been known to run forward to buy something if they did not think it was a good investment. And, here they are, coming into an agency that was only created a few years ago.

And when it was created, there was a lot of private capital out there that was leery about investing in Sallie Mae. Now, they are investigating competition by foreign bankers who look at it and say, hey, that looks fine. It seems like everybody in the financial community recognizes that it works well, and that does not trans-

late somehow. When you get bankers to go to Rotary meetings—and I say Rotary meetings because I am president of a Rotary Club—Kiwanis meetings, chamber of commerce meetings, and talk about their own bank's experience with it, the positive things, that would be very helpful, because I know Mr. McKernan is going to get the same thing that I get—they start off and say, what have you done to get those scoundrels? At least, I am trying to put to rest the story of the student who gets a loan to buy a sports car. During last year's authorization, there was a Member of the Senate, from my party, who kept insisting that he heard of all these students who borrowed, got a Guaranteed Student Loan and got a sports car. I said, Senator, I come from Detroit. You cannot buy a sports car for $2,500. [Laughter.]

Mr. FORD. He has got to be the smartest student, he does not need to go to college to deal that way.

We were never able to find him.

And, in 1980, we made it a felony. It is a felony now for you to receive $200 or more as a result of making a false statement on your application for a loan or a grant, and every student who so does is subject to being prosecuted for a misdemeanor under $200, a felony over $200, and to date, I do not think anybody has been convicted under it. I do not know that the Justice Department has prosecuted anybody and the law has been on the books now for 5 years.

And, yet, there is an impression that that sort of thing goes on. I do not know how we are going to get around it. But, I take it that you gentlemen are saying that in this part of the country that the loan program is doing quite well, except you would like to have more money and some adjustment in your payment schedule.

Mr. DULL. I do not think we sense the amount of abuse that existed earlier in the program. If the sports car scenario is, in fact, true, and who knows, it may be. In some years past, at one point, I intercepted a certificate of deposit that was being opened in our bank with student loan proceeds because the CD was providing a substantially higher rate than what it would cost the parents to use their cash-flow, and they took the proceeds of their daughter's student loan and simply rolled it into a long-term CD.

Mr. FORD. Now, one of the proposals that we had earlier on, that had already been drafted, is that the student loan is for all borrowers, regardless of income, and it is our hunch, I want to see how you respond to this, that what happens now is that if a student aid officer says, I will authorize you to borrow the whole $2,500, the bank would rather lend the $2,500 than $1,000, so there is nothing in the present system that says, maybe we do not need that much money, maybe we should not go that far in debt, because, in fact, it is easy for the student aid officer to get a package put together quickly without exploring the avenue of grants.

The second thing we require, and Mr. Duplessis touched on this a little, is the shift with low-income student's reliance on loans. That alarms us, because initially the Guaranteed Student Loan was thought to be a cash-flow for the middle-class family, and we now find the lower income students getting very heavily in debt. Part of that, we are afraid happens because there is so much delay in processing the grant money through the Pell, that in desperation—you

have a person waiting for a check, a nervous student, and a nervous student aid officer, who says, well it is easier, we will just authorize you to go down to the bank and borrow the money. Now, while on the one hand, if it works that way, it will decrease the cost of the Pell Grant Program, it will increase the size of the indebtedness for those who are covered by Pell, lower income students.

There are a lot of adjustments of this kind which we will be happy to characterize as tightening it up, to make it tougher on the student, that actually will produce those savings without jeopardizing legitimate need for money by the student. And, unfortunately, we have to play the game by responding to the rhetoric, by saying, all right, the reason that this reauthorization is really something that is worthwhile, is that we are including multiple disbursements, we are doing the universal needs analysis, we are doing the graduated loan, and we are doing these other things to cut the loss rate. The budget people are willing to give us credit for this.

They look at their—first of all it gives actual numbers that we can save by doing this—and we are going to have to take credit for that. Those are the numbers that we have to meet. I hope that you can help us—you are part of a microcosm——

Mr. QUIRK. Yes, sir.

Mr. FORD. One of the wrestling matches, not to mention the arm wrestling is with the private institutions over the Pell grant formula. It is troublesome because if we were to adopt the Pell grant that they advocate which we all like, it would shift some money. The thing that makes it even more difficult to understand is why the privates are putting so much attention on that particular change, when our people estimate that it would only shift between 3 and 4 percent of the resources from the publics to the privates. It is not a very big reward for that kind of a war.

Do you have any idea whether there has been any softening of the heretofore hard position on behalf of the privates?

Mr. QUIRK. No; I do not, and fortunately you will have the opportunity to ask Walter later in the program, and call on him for help, because I am not aware of any changes. I think you did mention one thing which—one of the differences we have in—the difference between our providing the amount of aid, the amount of grant money, means that we are expecting a great deal in self help. On the other hand we are able to offer sufficient grant money so that the students do not have to worry about the advance of money. In other words, we will assume that these funds will come in. We do not expect to get the money in advance, so we are not encouraging students to take out any more than they need. We would, as most financial aid officers would, counsel students on debt burden, and encourage them to keep that at a very low level.

On the other hand, of course it does put more burden on their working as much as possible to keep their loans down, and, therefore, give away to another person the college work study which is extremely important. So, these things fit together, and I think that almost without exception the financial aid community think of counselling students rather than simply disbursing funds. And this

would work toward a different debt structure. As we do with the relatively high interest——

Mr. FORD. What is your experience with the NDSL loans that you make at your school?

Mr. QUIRK. This is—we, of course, have used these to the fullest and this is where we try to——

Mr. FORD. What is your default rate?

Mr. QUIRK. Very low. It is—the last time I saw the numbers we were under 5 percent, and we were, on the other hand, of course, that is the highest risk group because we are trying to provide that for the lowest, the low-income families. Again, we run into the same problem of not wanting to penalize the students because of the family background, but our experience would be much like yours, that those who have the most difficulty repaying, are those who have had the most problems.

REPORTER. Pardon, could you just repeat your last sentence?

Mr. FORD. Those that have the most difficulty.

Mr. QUIRK. Those family, the students, who are going to have the greatest problem repaying will be the students who are coming in from the toughest family situation and the mention of the upper Maine border, the Maine border students, of course, we would run into this same type of problem with financing Native American students who are coming in from families where it is—the whole concept of repayment on such a massive scale, it is just hard to envision.

This would be true with other low-income families from coast to coast, so we have tried very hard to maintain a reasonable level of self-help, and we do have the differential level, so for low-income students, regardless of their minority status, we would expect a, we would expect less than the amount of—subearnings—we would expect them to borrow less, and obviously this is—the extent to which you can do this is limited. We try to maintain about a $2,000 differential in the way we make our awards, so that (a) we are not frightening away the low-income families who are really unfamiliar with borrowing, and (b) we are trying to keep them from having an unwieldly debt structure at graduation.

But, our experience would be similar to yours, I am sure that it would be a relatively small number—our matriculation is very low, and we have almost a very—we have a very small number of students who do not graduate on schedule. But, of those who are in default, we would find, I am sure, that they are coming in from the toughest backgrounds and they are sometimes having difficulty repaying anything, not just their student loans.

Mr. FORD. Thank you. Mr. McKernan.

Mr. MCKERNAN. I would like to continue the dialog that has been going on for 3 or 4 months with the three main panelists. Let me ask Mr. Quirk a couple of questions, because I am concerned that a lot of the private schools are getting so expensive that if we are not careful in the kind of Government programs we have, those schools can be priced out of the market for many people who really do not have a lot of individual resources.

You mentioned the $3500 figure for self-help. For a Native American or someone who really has no family means, how much of the

$3,500 would you expect that they would have to borrow on an annual basis?

Mr. QUIRK. We would, in the case of the low income, and that would include, of course, that group—we would try to keep that loan below $2,000 per year. We would, in some case, we would be able to do this, depending upon, obviously, depending upon our resources for next year, but we like to have them below the maximum they could borrow under NDSL. Fortunately, we have been able to do this in the extremely low-income students. In a sense we start with the poorest and work up toward the middle class. It is possible in some cases to keep that at $1,500. We are able, again, for the Native American students, we do not deduct the scholarships which are available to them from the BIA for example, from the amount we would allocate, which would be the same with other students. So-called outside scholarships are typically deducted from the award. In those cases we do not, we reduce self-help in the amount of their outside awards.

Mr. MCKERNAN. What would be the most that a student normally would have for a loan on an annual basis? What would be the maximum amount that a student would have for a loan?

Mr. QUIRK. In recent years, the students at graduation, we found very few students who were graduating with over about $10,000. That is increasing, the number at that figure, at that level, is increasing, obviously. I think we have had a few that we found at $13,000. So, the—there have been some scare numbers that we have seen that are students in colleges comparable to Dartmouth, graduating with a typical $15,000, $20,000—we have not seen that yet. We are concerned, however, about the future, particularly in those cases of families with a cash-flow problem in the junior or senior year, and the best that we can provide for them would be high interest ALPS or DELC loans, and in those cases, we are certainly going to see families in the $13,000 to $15,000 category in the near future.

Mr. MCKERNAN. At one of the hearings I had this summer, there was testimony that Wesleyan now has an announced policy of having moved away from blind admissions. I do not know whether that is true or not, but there have been some other rumors that some of the other private schools are starting to move in that direction. What has Dartmouth's experience been on that, and what sort of communication are you having with other schools? Is that something we have to be worried about?

Mr. QUIRK. Very few of the New England institutions are seriously considering changing their policies so that they would, in effect, be denying the student admission because they felt they could not provide financial aid. The so-called deny-deny. There are very few institutions which do it. Most—if they had to make a change—would go to, what we call, admit-deny, admit the student and then simply say we do not have the funds to finance you, you are eligible for a GSL, you are eligible, we would provide you with a job, and that would leave a gap in that student's package. The so-called gapping is the other procedure which some institutions are going to be forced to do, perhaps in the future; in other words, to provide a package which comes within $2,000 ot $3,000 of meeting full need. But, at the present time the vast majority of private in-

stitutions are still admitting the students and then making the decision about financial aid afterward.

This would be the procedures we would follow. We would never go to a deny-deny procedure; this is the reason that we are providing the high-interest loans to avoid that, so that the families that do have the best promise of being able to cope with them—we have to recognize that many of these families are at the stage where they—where, in the case of both partners working, the husband and wife working, they are hitting an earning curve, they are typically 45 years old, they are—we recognize that their family income has increased faster than the CPI, this is a fortunate group. However, it does present them with a very difficult choice as to whether they will send the student, their child, to a private institution or the State institution, so it is limiting the choice, and it is not on the basis, as was mentioned this morning, of a student making a choice because of programs, but rather making a choice because of cost. And, this is particularly true with the case you mentioned of 4 or 5 children in private education. For the professional, let us say the M.D. or the dentist who has tremendously high malpractice insurance to pay, in other words, I think we have to change our thinking about who can afford to pay for college without some sort of help.

Mr. McKernan. Thank you.

Mr. Duplessis. If I may add?

Mr. Ford. Yes; please.

Mr. Duplessis. When we have students, our brighter students, our more traditionally prepared students, and some students come from such small high schools that there is no way they can be traditionally prepared, we often send them to the Dartmouths and the Harvards and the Bowdoins of the world, and the reason for this is because they get much better money in terms of financial aid to go to those institutions than they will if they go to the University of Maine at Orono; that is unfortunate because what you are doing is sending a lot of these kids out of the State of Maine, and a lot of them will not return, as a result of that. And, part of the reason that some of our, especially the low-income students that we serve, are taking such high Guaranteed Student Loans, is not only what I mentioned about having such small NDSL's and, therefore, having to take a full GSL to complement, but a lot of these students, either they have to come back for a bridge summer to be traditionally prepared to go on to college and cannot earn any money during that summertime, so their expected summer earnings have to be taken through GSL, or they stay at home and try to find a job, do not come to the bridge program even though they need to, but they try to find a job. But if you are from Washington County or northern Aroostook County, with the high unemployment rate, it is so difficult to find a job. And if they do find a job, what typically happens, as it did in my family all the time, was that we had to contribute to the family to be able to support the rest of the family.

So, a lot of these students that are low income are taking these higher loans as a result of not having that summer earnings, but being required to have it by the colleges. It is a real bind for them.

Mr. Batty. Our graduates do come back to Maine.

Mr. FORD. Thank you very much.
Mr. DUPLESSIS. Thank you.
Mr. MCKERNAN. Thank you.
Mr. FORD. Mr. Scott MacDonald, president of the Maine Association of Student Financial Aid Administrators.

STATEMENT OF SCOTT MacDONALD, PRESIDENT, MAINE ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. MACDONALD. Good afternoon, Mr. Chairman, and Representative McKernan.

My name is Scott MacDonald. I am director of student aid at Westbrook College, and the president of the Maine Association of Student Financial Aid Administrators, also known as NASFAA. And I am honored to appear before you on behalf of NASFAA to address the issue of reauthorization of the Higher Education Act.

I might point out at the outset that many of my remarks encompass many of the issues that have already been discussed today, and the Maine Association of Student Financial Aid Administrators, by having no formal position statement; on the authorization, we believe NASFA is in a unique position as daily student aid practitioners to underscore the significance of Federal student assistance. And while NASFAA members may differ in their opinions as to how the authorization should occur, they are singular in their concerns to achieve the fundamental title IV goal of equal opportunity for higher education.

NASFAA members are in a unique position, NASFAA is comprised of 62 members, many of whom are present today, who in turn represent over 40 public, private, proprietary and vocational institutions statewide. The NASFAA members meet, respectively, at their campuses annually, with thousands of Maine students and their families, and thus really know, first hand, the circumstances of the families of students that they are encountering, and know, first hand, that the Federal loan grant and work programs do, in fact, despite recent criticism accomplish the congressional intent for which they were designed, by providing academic choice and financial access for students to higher education.

Specifically, through daily contact with students and families, student aid administrators know the value and effectiveness and importance of Pell grants, campus based assistance, and the guaranteed student loan programs. And, it is from this vantage point that NASFAA would really offer three concerns, which will be addressed today, and had been addressed in the past, through testimony and presentation to Representative McKernan in the summer, and in the future concerning institutions, specific oral and written testimony.

No. 1, we sense a general deregulation and simplication of title IV is needed. We certainly recognize that regulations are necessary in order to ensure effective management in the use of funds to carry out congressional intent.

While reporting to George Hanford, who is the president of the College Board, and whom I am aware that you heard testimony from in Washington, the challenge is to minimize and manage complexity, unpredictability and instability, as they affect students and

families coping with forms, deadlines, and rules. The index of current student financial aid regulation encompasses approximately 30 pages of fine print. This does not include additional rules and regulations established by the various States, scholarships, grants and loan programs, which, among other things, lists a variety of application deadlines and eligibility requirements.

In an effort to distill this information for students and parents, the aid administrator must wade through literally hundreds of pages of rules and regulations and given this rigid maze of material, it is little wonder that at some times logic and institutional flexibility and just general common sense kind of find themselves sitting in the back seat.

A specific example of this confusion lies in the Pell Grant Program. According to the director of financial aid at Cleveland State University, William Bennett, and the past president, immediate past president of the National Association of Student Financial Aid Administrators, the wording on the student aid reports which I know you are well aware of—the documents which we notify students for their program eligibility for that program—sometimes confuse students if they are not eligible, for instance, for the Pell Program, into the assumption that they are not eligible for any financial aid through any program.

Mr. Chairman and Representative McKernan, I know this is the case in conversations that I have had with my colleagues throughout the State of Maine and I know, specifically, in my own institution, Westbrook College, that there were two students in the last 2 weeks who would have withdrawn from the institution because they were under this faulty assumption that since they were ineligible for a Pell grant, they were thus ineligible for everything else.

A second concern seems to be heard throughout the hearing so far, is that of student debt. Multiple monthly repayments, as we have heard, is a problem with students that they face after graduation. And, it is often possible for students to graduate and complete their education and to find themselves overwhelmed with two or three separate monthly loan payments.

Currently, as you alluded to, since the options program of Sallie Mae went out of existence some 2 years ago, there is no provision to consolidate, for students to consolidate. That is complicated by the number of potential loan programs that students could borrow under the Guaranteed Student Loan Program, the National Direct Student Loan Program which, in recent years has had several interest rates, nursing loans which are issued through the Department of Health and Human Services, they all have different interest rates and promissory notes and minimum monthly repayments. Thus, there is a general feeling sometimes that default may, in fact, be the product of confusion rather than unwillingness to repay.

We have all heard about testimony, and I am aware that you have heard testimony from Dallas Martins, the executive director of the National Association of Student Financial Aid Administrators—he has observed that the rising student indebtedness levels and the impact of such debt as on career choices and future life decisions is yet to be determined.

And, I would say that NASFAA has a concern that there really is a need, as you referred to earlier, to give serious thoughts to the appropriate balance and mixture between grant, loan and work programs.

A third concern that surfaced in the Association is a concern of a need, a general need to streamline the Federal delivery system. Even the best and most well-intended programs remain ineffective if the matchup between the funds and eligible students does not occur at a critical time.

And, unfortunately, a mismatch at this time can cause a student to abandon his or her goal of postsecondary education. I think this is important for the student and the family to perceive, that they, that their educational bills are unobtainable because of financial reasons.

Two other things which are, tend to be an annual thing, as far as delays which negatively impact students, specifically are the late receipt of Pell grant validation procedures, and Pell grant payment schedules, and this directly affects the students in knowing whether or not what the exact amount of their grant is going to be.

Further, unnecessary resources and manpower are expended because schools, of course, operate in a crisis mode of operation rather than being used to improve existing services and objectives.

And simply in closing, I would just simply like to underscore the importance of campus-based Title IV Guaranteed Student Loan Programs to Maine students. We recognize that it is a very significant investment and actually an investment in the future of Maine students.

The campus-based and Pell grant assistance throughout the State of Maine during 1983 and 1984 equaled $32 million. It is simply imperative with the principles of access of choice to strengthen and reaffirm through the reauthorization—of the title IV act.

Thank you for listening.

[The prepared statement of Scott MacDonald follows:]

PREPARED STATEMENT OF SCOTT MACDONALD ON BEHALF OF MAINE ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Good morning. Mr. Chairman, Representative McKernan, and Members of the House Subcommittee on Postsecondary Education, my name is Scott MacDonald. I am the Director of Student Aid at Westbrook College in Portland, Maine and the current President of the Maine Association of Student Financial Aid Administrators also known as MASFAA. I am honored to appear before you this morning on behalf of MASFAA to address the issue of the Reauthorization of the Higher Education Act.

The Maine Association of Student Financial Aid Administrators, while having no formal statement paper concerning the complex issue of Title IV Reauthorizaton, is nonetheless in a unique position as daily student aid practitioners to underscore the significance of federal student financial assistance and, while MASFAA members may differ in their opinions on how specific aspects of Reauthorization should occur, they are singular in their concern to achieve the fundamental Title IV goal of equal opportunity for higher education.

Why are MASFAA members in such a unique position to assess the necessity of federal student assistance? The Maine Association of Student Financial Aid Administrators is comprised of sixty-two members, many of whom are present today, who in turn represent over forty public, private, proprietary and vocational institutions throughout the state of Maine. MASFAA members, at their respective campuses, meet annually with thousands of Maine students and families and thus know first hand that federal loan, grant and work programs are vital to students and, despite

recent criticism, do in fact accomplish the Congressional goals for which they were designed by providing academic choice and financial access to students in pursuit of a college or postsecondary education. Through daily contact with students and families, student aid administrators know the importance, value and effectiveness of Campus-Based, Pell Grant and Guaranteed Student Loan Programs. It is from this vantage that MASFAA offers three areas of concern which will be addressed by specific institution oral and written testimony today and in the future.

(1) General deregulation and simplification of Title IV is needed. Regulations are necessary in order to ensure the effective management and use of funds and to carry out Congressional intent. However, according to George Hanford, President of the College Board, "the challenge is to minimize and manage complexity, unpredictability and instability as they affect students and families coping with forms, deadlines and rules."

The index of current federal regulations encompasses approximately thirty pages of fine print. This does not include additional rules and regulations established by various state scholarship and loan programs, which among other things, list a variety of application deadlines and eligibility requirements. In an effort to distill this information for students and parents, the aid administrator must wade through literally hundreds of pages of rules and regulations. Given this rigid maze of material, it is of little wonder that student logic, institutional flexibility and common sense often find themselves sitting in the back seat.

An example of this confusion lies in the Pell Grant Program. According to William Bennett, Director of Financial Aid at Cleveland State University and the 1984-1985 President of the National Association of Student Financial Aid Administrators (NASFAA), "the wording on the Student Aid Report (which as you are aware is the document notifying the student of Pell Grant program eligibility) sometimes confuses students by leading them to believe they will not be eligible for any form of financial aid, thus in some cases causing them to give up on completing the application process." Mr. Chairman, I know this to have occurred in Maine through discussions that I have had with my colleagues. I am specifically aware of two students at my institution who, during the past two weeks, would have left Westbrook College, if I had not happened upon their dilemma during a casual conversation with them.

(2) A second concern is that of student debt. Multiple monthly loan repayments is a problem that many students face after graduation. It is often possible for students to complete their education and find themselves overwhelmed with two or three separate monthly loan payments. Currently, there is no provision for borrowers to consolidate their loans into one monthly payment since the Sallie Mae Options Program was discontinued in 1983. Guaranteed Student Loans, National Direct Student Loans and Nursing Loans, issued through the Department of Health and Human Services, have different interest rates, minimum monthly repayment schedules and promissory notes. Loan default may be more the product of confusion rather than unwillingness of former students to repay.

Dallas Martin, Executive Director of the National Association of Student Financial Aid Administrators, has observed that ". . . . the rising student indebtedness levels and the impact that such (debt) has upon their career choices and future life decisions" has yet to be determined. Clearly, there is a need to give serious thought to reviewing the appropriate balance and mixture between grant, work and loan programs.

(3) A third concern can be categorized as a need to streamline the federal delivery system. Even the best and most well intended student aid programs remain ineffective if the match-up between eligible and talented students with appropriate student assistance is not efficiently coordinated on a timely basis. Unfortunately, a mismatch at this critical juncture can cause a student to abandon his/her goal of postsecondary education or just as importantly for the student to *perceive* that educational goals are financially unobtainable.

Historically, this critical issue of streamlining and timing have been voiced by the 1974 National Task Force on Student Aid Problems chaired by Frank Keppel, former Commissioner of Education, and as recently as 1983 by the National Commission of Student Financial Assistance. For example, substantial delays during 1985 in the receipt of Pell Grant Validation procedures and Pell Grant payment schedules by institutions has negatively affected students. Unnecessary resources and manpower are expended because schools are forced to operate in a crisis mode of operation, rather than being used to improve existing services and objectives.

In closing, I would like to mention that the federal role to student aid represents an investment by this country to college and technical school populations nationwide over the past twenty-five years. In Maine, Title IV Campus-Based and Pell Grant student assistance programs equalled $32 million dollars during the 1983-

1984 academic year. It is imperative that the principles of access and choice be strengthened and reaffirmed through the Reauthorization of the Title IV Higher Education Act.

Mr. FORD. Mr. Batty?

STATEMENT OF BURT F. BATTY, DIRECTOR OF STUDENT AID, UNIVERSITY OF MAINE AT ORONO

Mr. BATTY. Chairman Ford, Mr. McKernan, thank you for the opportunity to speak this morning.

Last Friday, my university president, Arthur Johnson at the University of Maine in Orono, asked me to prepare some remarks for him to address a meeting of the National Association of Woman Bankers, and the topic of that speech was to be, "What Financial Aid Means to the University." And, in my remarks to him in writing, my first response was, a lot. And, I went on to indicate that without the financial assistance from Federal, State, and private sources and university sources, that it would negatively impact on the student enrollment. We have in excess of 11,000 students enrolled on the Orono campus and a variety of undergraduate and graduate programs.

Our total contribution to the financial aid effort and delivery of funds to students, total some $23 million, to approximately 6,000 of our students. So, it is greater than 50 percent of our students, or approaching 50 percent, receive some form of financial aid.

There is a contribution on the part of campus-based programs which is in excess of $5 million on our campus, Pell grant, $3 million, guaranteed student loans projected to be $9 million for the current year, and private sources available to students through scholarships and other sources in the vicinity of $2 million. The contribution of the university would total in excess of $3 million for scholarship and work programs.

So, there is clearly a partnership between the Federal Government and the institution and the community to provide access to students to attend. We do not profess to be able to meet full need or to be all things to all students, there is no Utopia in terms of financial aid somewhere out there. If there is, let me know, I would like to send my children there.

Some of the concerns that the university has with respect to reauthorization, the first one being loan consolidation, touched upon by members of the State and lending community, also by Scott MacDonald and also by President Woodbury from USM. We also feel that this feature helps student borrowers make their payments on a timely basis by consolidating loans, making it more convenient, to consolidate two interest rates, whether it be from NDSL or GSL, or the like.

The National Association of Student Financial Aid Administrators presented testimony through Dallas Martin last June, and we believe that that testimony reflects an accurate assessment of what we believe a need for loan consolidation would be under the old program of options offered through Sallie Mae.

Under the options program they previously serviced 32,000 students and consolidated $390 million in student loans, and we believe that that is a particular benefit and service to students, and it

probably has a direct impact on minimizing our delinquency rate and default rates.

At the University of Maine at Orono, we operate under the national direct student loan program and over the life of the program, since we have been involved—some 20 odd years—we have advanced $26 million to students, the vicinity of 23,000 students have benefited from this program. Our default rate at the present time is 2.9 percent, and I realize we do not follow the norm. Most institutions, if they can handle being under 10 percent are doing a better than reasonable job. It all depends on the clientele you serve as well.

But, I merely indicate that as our experience.

We believe that the national direct student loan program should continue and not be merged with the guaranteed loan program because it offers students the lowest possible interest rate on loans together with forgiveness as far as going into special areas of education where there is a teacher's shortage.

We believe, also, that consideration should be given to increasing the annual loan limits for undergraduate students and graduate students as presented in my written testimony. We believe that there has been an increase in borrowing because, for example, in the Pell Grant Program, there is more information available today than there was in 1970-71. And in 1977 to 1984, for example, the Pell Grant Program increased by some 33 percent in terms of funds available. Yet, the rate of inflation during that same period of time, as measured by the Consumer Price Index, increased some 75 percent. So, what students were finding, is that they were, they had less buying power with their Pell grant and their SEOG grants and perhaps university scholarships, so they turned to the guaranteed student loan program to borrow. Also, the national direct loan program during that same period has had its purchasing power diluted, so students are forced into an alternative of another source of borrowing.

Mr. Duplessis from the outward bound program at Bowdoin indicated that the University of Maine at Orono does not provide half the financial assistance to their students—it may be true from case to case. As I said, we cannot be all things to all students. But we can certainly make efforts and provide counseling to students to make sure of their enrollment, their continued enrollment at the university.

The College Work Study Program also, I think, is one in which has significantly impacted positively on students with respect to meeting their educational costs, plus providing a real life experience to make them more—enhance their employability after they graduate. They get in many cases an experience in a work mode that is in line with their academic major, and there is an emphasis to try to place students in their academic major for parttime and fulltime summer employment.

Within the work study program as President Woodbury has indicated, there is a job locator and development program. We, too, support increase in the amount allowable to use from work study funds to increase the maximum allowable from $25,000 per year to $50,000 per year. At the University of Maine in Orono, we were the first campus in the entire State to get started in that program back

in 1979, and since then we have provided significant resources for students that would otherwise be untapped. And, it was through the action of Congress, with legislation passed, that we were able to benefit from that.

We have found that over the period of time that we contribute to more than 2,000 of our students, so this is a 12-to-1 return on the use of the Federal college work study dollar, and we believe that this is significant. And with additional funds to further develop that job market, we can generate even more earnings, even though we are in a restricted area by way of employment compared to the greater-Portland area.

We believe also that the Supplemental Grant Program should be continued, but I realize that there are discussions and positions being put forward that would suggest merging the Pell Grant Program and SEOG. From my 15 years experience in financial aid, I believe that the SEOG Program has more flexibility in meeting student needs regardless of income level, because we have some total-need students from middle-income families, just as we have total-need students from low-income families.

At the University of Maine in Orono, approximately 47 percent of our students who receive aid are from low-income families. If we use that benchmark from the American Council of Education Report recently on how low-income students pay for college costs, they describe low income as being an income of $50,000 or less. So, 46 or 47 percent of our students would fall below that level who receive aid in our campus.

The SEOG program provides significant support for our students, totaling this year, $1.3 million. And we believe without this support and the need sensitivity of that program, regardless of family income, we would lose a significant resource and access for our students.

In the area of guaranteed student loan, I believe also the major points were covered, we believe that the program should continue, that a total needs test should be employed throughout the program regardless of family income. I have found on numerous occasions, graduate students for example, at our campus, who applied for a $5,000 loan, are receiving a graduate assistantship equal to $5,000, and full tuition paid. And, yet, we are told by Federal regulation to ignore the graduate assistantship earnings. It is the same at the undergraduate level. That student who is working under university student employment can replace those earnings with a guaranteed loan, even though he or she may not need to do so.

So, if there is any abuse of use of the funds in the program, I believe it is in this area. And a total needs test would address that. As long as the aid administrator has the ability to be sensitive to change in financial conditions in the family, even with a total needs test system, I believe that it will be in the best interest of the student and the program.

As with the National Direct Loan Program, I believe we should take a hard look at the guaranteed loan aggregate limits. I believe at the undergraduate level that students, true in some academic areas where low earnings are projected upon graduation, cannot handle increased indebtedness, but there are certainly very technical programs, the engineering field for one, and perhaps the busi-

ness area, that earnings are projected at a higher rate than for college teachers or for high school teachers, and that we should consider moving the annual limit for undergraduates from $2500 to $3000, and also, in the graduate student area increasing that from $5,000 to $8,000.

Scott MacDonald commented on the delivery system with respect to Pell grants. Also, I would mention Mr. William Bennett from Cleveland State University and his testimony presented before the committee in June of this year. He did an accurate assessment of the program and the recommendations for improvement of the administration, the delivery of aid dollars to students. I also believe that the program could undergo major changes with respect to the corrections that students go through with respect to the program. As Scott indicated, the student is notified of their eligibility with a document called a Student Aid Report, more commonly referred to as SAI. This report should be reviewed by the student and any information that is either flagged by the processor or is noted by the student to be incorrect, they go through a correction cycle. In many instances the correction cycle can last an entire academic year before it is rectified and money delivered to the student. We believe that these corrections can occur at the local level and will assure the Department of Education and the Congress that the aid administrator is quite capable of making these corrections, and will establish accurate documents for an audit trail.

It will, in effect, speed up the process of delivering dollars to students, which is very important. They want to make sure at the very earliest possible date when a student expresses interest in attending college that we can relieve some of these barriers, some of this redtape, administrative redtape that may be presented by the college and university or the Federal programs themselves, so that we can assure the students that there are means to fund their need. We will try to take down the barriers for them as quickly as possible.

In conclusion, I would say that the program themselves in terms of the amount of funds that were allocated this year, with the supplemental allocation from the Pell grant, and we recognize that the payment schedule is being held up because of supplemental appropriations, not knowing whether or not that the maximum Pell would be at $1,900 or $2,100. We appreciate the supplemental appropriations, the students appreciate it. Also, we believe that there should be some consideration for inflationary increases to the title IV programs, so that we can keep apace with increases in college costs. Fortunately, at the University of Maine at Orono, we have been able to hold tuition at the same rate for the past 3 years. And, for 2 years we have been able to hold the room and board rate. I suggest that other institutions take a very hard look at their operational costs and they can probably find ways to contain some of the costs which would then pass off a benefit to the students and maximize the use of the funds in the program.

Thank you.

[The prepared statement of Bart F. Batty follows:]

PREPARED STATEMENT OF BURT F. BATTY, DIRECTOR OF STUDENT AID, UNIVERSITY OF MAINE AT ORONO

Mr. Chairman, members of the subcommittee, on behalf of the University of Maine at Orono, I sincerely appreciate being invited to appear before you today to discuss the reauthorization of the Higher Education Act of 1965.

LOAN CONSOLIDATION

I have always supported the feature of allowing students who have created high levels of educational indebtedness from more than one source to consolidate their loans into a single payment. This feature helps student borrowers make their payments on a timely basis thus minimizing the chance of loan delinquency or default. The National Association of Student Financial Aid Administrators gave testimony before this committee last June on student loan consolidation and I support their recommendations as presented by Mr. Dallas Martin, Executive Director of NASFAA. The Student Loan Marketing Association (Sallie Mae) as authorized by the Congress in 1981 provided students with a loan consolidation program called "OPTIONS". The OPTIONS program assisted 32,000 students consolidate $390 million in student loans. However, in 1984, Sallie Mae's authority as a secondary loan market was not renewed by Congress. I urge this committee to recommend reauthorization of Sallie Mae.

CAMPUS-BASED PROGRAMS

At the Univeristy of Maine at Orono, the National Direct Student Loan program has assisted 23,000 students over the past twenty years. We have advanced $26 million with these low-interest loans. The NDSL program is the most proven of all the educational loan programs and should be continued through reauthorization. It is absolutely imperative that this program maintain it's identity as a program that serves students with demonstrated student need. One enhancement to the NDSL program would be to increase the aggregate loan limits for undergraduate students from $6,000 to $10,000 ($2,000/year) and for graduate students from $12,000 to $16,000 ($6,000/year). Federal allocations in the NDSL program have fallen dramatically. As a result, students have had to use the Guaranteed Student Loan program to supplement their financial aid packages.

The College Work-Study program has benefited students by providing needed funds to meet their college costs and, at the same time, gain work experiences that enhance their employability after graduation. Under the CWS program, institutions are permitted to use up to $25,000 of their CWS funds to operate a JLD program. The University of Maine at Orono was the first institution in the State of Maine to create such a program for the development of off-campus jobs for our students. Since 1979 the University has used $134,000 of CWS funds and has generated $1.57 million in earnings to 2,070 students. This is a return of $12 for every federal CWS dollar spent in the program. It is our recommendation that the maximum JLD federal share of CWS funds be raised from $25,000 to $50,000. This increase is needed to help off-set the inflationary costs of JLD operations and to expand the services and create new job markets available to students.

The Supplemental Educational Opportunity grant program has been a primary factor is keeping student borrowing within reasonable limits for most students. This program currently benefits 2,200 students at UMO with $1.3 million in funds. This grant program is the only federal grant program which is truly sensitive to student need at the institutional level without respect to family income. The cost of attending our University approaches $5,800 for a state resident and $8,900 for a non-resident. Our SEOG funds are particularly important in providing gift aid to those students who do not qualify for Pell Grants, thus allowing our institution to keep the student's package within reasonable loan and work limits.

The Guaranteed Student Loan program is the largest of all the federal programs and benefits more students than any other single loan or grant program. Once operated as a "convenience loan" for students and their families, the programs operational costs ran unusually high. As a cost containment measure a "Student Needs Test" was legislated three years ago. Under this new means of determining student eligibility, students from family incomes of $30,000 or less were automatically eligible for the loan (minus any aid received) regardless of the parent or student ability to contribute from their income or assets. If the student's family income was over $30,000, the amount of calculated family contribution was subtracted from the cost of education and the balance would be the student's eligibility for GSL up to $2,500.

We recommend that the GSL program be totally need-based regardless of family income. Additionally, all known resources to the student during the period of the loan request should be counted into the total family contribution. At the present time the student may replace academic year earnings with all or part of the GSL. Implementation of the "Needs Test" to all income levels should further contain administrative costs and place equity into the program. As long as the aid administrator has the ability to adjust a student's family contribution upon receipt of proper documentation from the student or parents, the GSL program will continue to meet the needs of students.

In recognition of the increasing cost of postsecondary education, the aggregate loan limits of the GSL program should be increased. The undergraduate aggregate limit should be moved from $12,500 to $15,000 ($3,000 per year) and the graduate aggregate raised from $25,000 to $30,000 (undergraduate total plus $6,000 per year for graduate study).

On June 27, 1985 Mr. William R. Bennett of Cleveland State University presented testimony to your committee on our experience of the administration of the Pell Grant program. We applaud Mr. Bennett's accurate assessment of the program and his recommendations for improvements for administration and delivery of awards to students. Under Mr. Bennett's testimony, he noted that the U.S. Department of Education admitted that the current delivery system through their own internal evaulation reports notes, "the federal role has intruded into the field of program operations which has impeded the smooth and timely delivery of aid to students." The report goes on to surmise the various features of delivering Pell Grant aid are costly and less timely than those delivered by the private sector, that institutions are in the best position to direct the money to the student, and that private organizations are capable of determining ability to pay.

Continuation of the Pell Grant Program as an entitlement program is desirable from the student and institutional perspective. Major changes in the administration of the program as presented by the written testimony of Mr. Bennett will enable the Congress to deliver more grant funds to students over a shorter period of time frame within a given academic year.

CONCLUDING STATEMENT

The demand for funds from the federal government for domestic, defense, and foreign aid programs is great and will continue to increase in the years' ahead. The purpose of the student financial aid programs under Title IV has always been to provide open access to postsecondary education to all able students regardless of costs. If we are to continue to meet the financial needs of our talented youth, consideration should be given to providing inflationary increases to the campus-based and Pell Grant programs. In a 1985 report issued by the American Council on Education, it was noted that "between 1977 and 1984, the average Pell Grant increased by only 33 percent, while the rate of inflation (measured by the consumer price index) was 75 percent. This significantly eroded the buying power of federal grants." Modest, but realistic increases for the Pell Grant and campus-based programs will insure open access to postsecondary education to needy students in the future.

Mr. FORD. Since I have two more student aid officers, I want to make a couple of comments so we do not go over the same ground again. Dallas Martin, who really should be on our payroll instead of the association, because I see him as often as I see the staff, he has already planted in the draft that has been circulated with the members, some of the things you are talking about. In reconciliation last week, we have already taken care of the problem you talked about with the graduate student.

While you can or are required to do one thing now, the needs analysis language that we have, in legislating the needs, we have in effect legislated—will prevent that sort of thing from happening. The Pell grant application time is something that has bothered us very much. We had some suggestions early on to go away from the central processing in Iowa, and that left us with the proposition that we would have no information base on the program if there was not one central spot. But the turnaround time has been described to us, as sometimes being 6 weeks in one direction, and 6

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weeks in the other direction. And that leads the student aid officer into the position of not knowing what is going on with the Pell grant and pushing them over to the guaranteed student loan because of time constraints.

In the preliminary draft we consider reaching that problem by authorizing the student aid officer to make corrections at the campus, after the submission to Iowa—you do not have to wait for it to come back and send it back out to them. You go ahead and make the corrections that they call to your attention, whatever they may be, and then make the determination of eligibility at the campus level.

How successful we will be with that in our reauthorization depends on whether or not other members have become as confident as I have in recent years that the student aid business has matured to the point where we can trust them to do this. I think that at least the rhetoric of the administration says we ought to leave as much authority at the local level as possible. And this is clearly a place where we have got built into the system now virtually a transportation problem that gets in the way. It could be avoided if we gave you a little bit more authority at the campus level.

The other problem that both of you have mentioned, and I am sure they will mention, is the delays in the Department getting out their determinations and publishing the information that you need to make the awards. We have, and I suspect the long hand of Mr. Martin in this, in the proposed draft a calendar for the Secretary which they may object to when they see it, which gives them some deadlines to meet putting these things out.

This is not the first time and it is not any different with this administration as in the prior administrations, there is kind of an institutional reluctance on their part over there to turn loose of these things. They want to argue about them in-house forever while the whole country sits out there waiting for it. You cannot argue about filing your income tax returns, so we think they should not have an unlimited time to argue about informing you and the students need.

And, also, in the single needs analysis for all programs, the Secretary will only be required to update the information and not publish a whole new schedule, so that those kinds of things which have come to us all during these hearings from so many people, look so obvious now, but 5 years ago we were not getting that sort of input. I think that the student aid testimony that we have had from people like yourselves, in these hearings, is the best we have ever had in terms of really getting to the fine points of how the program works in practice, rather than theory, and how it can be improved, and it does not cost us money to do these things. Indeed, it will probably save us money to do these things.

Mr. Moulton?

STATEMENT OF MR. WALTER MOULTON, DIRECTOR OF STUDENT AID, BOWDOIN COLLEGE

Mr. MOULTON. Congressman Ford, Congressman——

Mr. FORD. Wait just a second for her tape. Go right ahead.

Mr. MOULTON. I want to thank you very much for the opportunity to testify today. In my covering letter to Congressman Ford, I emphasized the importance of the work of this committee this time around, both from a point of view of policy and from a point of view of the economy.

There are some within the U.S. Government who advocate abandoning the traditional role of supporting the policy of quality of educational opportunity, turning it back to the States, the parents, the students, getting out of the business of education, if you will.

And, for the first time in my memory there has been sort of a direct challenge to the ethic that has worked in this business ever since the founding of the United States, that is, that the Government has a very very real interest in supporting the concept of quality of educational opportunity. Because that issue has been raised, this committee is going to have to deal with it. And in dealing with it, they are going to shape the role of the Federal Government for years and years to come.

It is a much more critical thing than has been brought up in the last few authorizations, at least in my memory.

The second matter is the matter of the economy. In the last three or four authorizations, the only critical questions that ever came up was, how much more money did we get for any of the programs. I think the economy is such that no one is really asking that question. Or, if they are asking that question, they are dealing with it also from the point of view of doing the very very best they can to make the programs work as efficiently and as economically as possible. We understand how critical that is.

I have submitted testimony in writing and I am not going to try to read it. It is technical in nature, and it concerns program operations. But, I will try to explain the thrust of my proposals, and I will be honest up front, this is where I am coming from, I have got 23 years of experience operating these programs on a day-to-day basis; I know the nuts and bolts. And, that includes loan collection. My president, A. LeRoy Greason, some years ago now, said it would be good for my soul if I collected loans. I knew the students, dealt with them day to day, and therefore I was in a good position to go after them after they graduated. I think what he was really saying, was that I was going to be made to pay for my sins one way or another, but he got the point across, and he sort of pushed me into this.

It has made me, I think, a much better financial aid officer, a financial aid administrator, to collect them. It has also made me something of a conservative as far as lending is concerned, and it has also confirmed my belief, the one that I have held all along, that it would be in the best interests of students if we could get ourselves down to one grant program, one loan program, and one work program. Simplicity, commonsense, efficiency, I think, really demand that.

The programs were all created at different times, to serve different kinds of needs, and God alone knows they worked pretty well in tandem, it is remarkable that they work as well as they do. But the needs and the times have changed, and I think we have to get on with some sort of synthesis, some sort of condensation, and it is from that point of view that I have written to you with two propos-

als. The proposals are with respect to the loan programs. That is where I will try to direct my remarks this morning.

As I said, I will not try to read them, but I will try to hit the main points. The one proposal is to do away with the NDSL Program. Now, that is not something that my colleagues like to hear. But that is not something I am proposing, you will see that it is not so much an abandonment of NDSL, it is a way of bringing NDSL into line with GSL while keeping the best features of it. If you buy the idea that I am talking about, we will eliminate appropriations for national direct student loans, thus saving about $190 million a year on the Federal budget.

I would also like to see legislation passed, giving each postsecondary institution title to its current NDSL funds, that is, give us the money. We do not own it, it belongs to the Federal Government, at least most of it does. Give it to us only with the provision that it be maintained as a permanent revolving loan fund for needy students, and make us put all the principal and all the interest we earn, and we get repayment for, right back into that fund. And then allow each postsecondary institution with such a fund to lend under the Guaranteed Student Loan Program as a primary lender.

Now, the purpose of doing this is severalfold. I will give up the Federal capital contribution in exchange for the 8-percent simple interest that you pay guaranteed student lenders while the student is in school. That will more than replace the FCC that I am losing, the capital contribution that I get out of national appropriations. I will keep title to the money so I can still lend it to the students who need it the most, and the students come out borrowing from one loan fund, with one set of applications, one set of repayment terms, instead of the two or three or more that they are dealing with now.

I think it would work in the best interest of all concerned if we could get to that kind of scenario.

My proposal with respect to guaranteed student loans—it is a little different—obviously, when I put these two things together, they can work separately, but they were designed to work in tandem—yes, I would like to see guaranteed student loans run on a need basis. I see no reason for people who do not need the money and want to leverage it, to get it.

But, there is the matter of simplicity, and I do want to retain the lookup table concept. If individuals are receiving nothing but guaranteed student loans, and if their income, family income is $60,000 a year or less, then let us retain the lookup table, but let us simply add an asset component to it, and by so doing, we will be using the same factors to determine eligibility for a guaranteed student loan that I used in a poor needs analysis.

Once individuals have reached that $60,000 level, then I would advocate requiring them to go a full needs, to a full needs analysis system where they would really have to prove the need for the funding just as all other students do when they are receiving other forms of assistance.

I would like to see that the student who defaults not be eligible for any new guaranteed student loan, until the original loan is repaid or until some arrangement to pay it has been made. Right

now, the only restriction is that the student cannot borrow again at the same institution. I would like to see that broadened.

I would like to see the loan limits increased, but I would like to see them increased sensibly, not so much in the first year. Like other people here, we do not have a very high default rate, it is less than 5 percent, but over half of the default rate exists with the people who left my institution within the first year or two and never completed their program. I would like to keep the borrowing down in the first year, if I possibly could, and then increase it as the individual gets closer to graduation.

You, yourself, said, Congressman Ford, that the individual who finishes the program, the individual who gets the better paying job is the one who is going to pay the loan back. And I would like to see a program that worked with that concept in mind.

I would like to see the repayment terms changed somewhat. Yes, I advocate keeping the interest subsidy while the student is in school. I advocate an interest payment during the first 5 years after graduation, very similar to what it is now. Let us use the example of 8 percent. And I would hope the Federal Government would continue the inschool, the special allowance subsidy to the lender, for that 5-year period.

But, it might very well be possible in the period of 5 to 10 years, to reduce the special allowance so that the Government pays a little less, and increase the interest rate to the students so that the students pay a little bit more.

Again, what I am talking about is the student paying a little bit more after the student has had an opportunity to work for awhile and see that the income is increasing.

I want consolidation, but I understand that that is expensive. If consolidation must take place for an extra 5 or 10 years, then the special allowance subsidy should stop and the student should pay whatever rate is required to cover the interest in the current special allowance.

Variable rates, as Mr. Dill has indicated, are entirely possible, and it is not difficult to write promissory notes that would take that kind of concept into account.

I am not advocating a consolidation for convenience. I am talking about consolidation as a matter of necessity. If you give someone 20 years to pay a low interest loan off, they will pay off every other loan first, the home loan, the car loan, and everything else, and I see no reason why the Federal Government should be paying the subsidized rate of interest for someone who has been out 5 or 10 or 15 years, and who is perfectly capable of making that payment on his or her own.

The mechanics that I am talking about—I am not leaded to them—I am not advocating any hard and fast percentage limits or anything else. I am arguing for a concept, a concept that says the longer you are out, the easier it is to repay, the more you should be asked to repay for subsidies. And that is really all that I am arguing for.

I am asking really to design a program that encourages people to pay the loan back as quickly as possible, not delay repayment for as long as they can possibly get away with delaying it.

We are back-dooring loans by using NDSL and GSL together. Financial aid officers are honest enough to admit it. They send the student to the bank and get his $2,500 guaranteed student loan and then lend him as much of the NDSL pot as they can possibly afford. And, if they can go all the way to $1,500, they are backlogging student loans up to $4,000 per year, even when they know it is not sensible and even though they know that students should perhaps not borrow that much.

I think it is time to bring the loan programs together and to have some confirmation of all the terms under which people are borrowing. God knows, if you want to lend students $4,000 a year, the least we should do is lend it to them out of one program instead of two, and get them down to one repayment schedule instead of the two that we are dealing with now.

I want to thank you very much for the opportunity. I will be glad to answer any questions about the technical parts of this suggestion, if you wish.

[The prepared statement of Walter H. Moulton follows:]

BOWDOIN COLLEGE

DIRECTOR OF STUDENT AID BRUNSWICK, MAINE 04011

September 10, 1985

The Honorable William D. Ford
Chairman, House Subcommittee on
Postsecondary Education
320 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Ford,

I have followed the discussion over reauthorization of the Higher Education Act of 1965 for the last year or so with an intensity and a concern far greater than was common to such events in the past. Given the economic pressures that face the country, and the feeling on the part of some that the United States Government should abandon its traditional role in support of the policy of equality of educational opportunity, what you and the members of your Committee do this year is of critical importance. Far more than was true of reauthorization in the past, you will shape the federal role in higher education for years to come. It also seems essential that we do everything possible this time around to insure that the programs we support are the ones that are most efficient and best suited to students' needs. If the responsibilities are greater in this authorization cycle, perhaps the times also offer an opportunity to be more imaginative than we have had to be in the past.

You have encouraged those with suggestions to write to you and that is the purpose of my letter now. After administering Title IV Provisions for the last twenty-three years, it appears to me that we are already overdue for some consolidation of the student assistance programs. The quicker we can get to one grant, one loan and one work program for students the better it will be for all concerned. To foster that end, I am enclosing two brief papers suggesting changes to both the National Direct Student Loan and the Guaranteed Student Loan Programs. Each can stand on its own, but the proposals are obviously designed to work in tandem, and to get down to one loan program with a common set of application, eligibility and repayment provisions for students regardless of who provides the capital.

I hope you will find this information to be of some value in your deliberations. If there is anything else I can do to assist you or the Committee, I will gladly provide whatever you want.

Sincerely,

Walter H. Hamilton
Director of Student Aid

WHH:b

I

An Alternative to the National Direct Student Loan Program

After twenty-seven years of continuous operations, it may well be that the National Direct Student Loan Program has outlived its usefulness. Short of massive annual appropriations, which appear unlikely, and considerable administrative overhaul, NDSL does not function well as either a supplement or a complement to the Guaranteed Student Loan Program. To preserve the essential features and flexibility of the NDSL Program, but also to help consolidate student borrowing under one program with common loan limits and a single payment schedule, I offer the following suggestions:

1. Eliminate appropriations for NDSL thus saving 191 million dollars or so per year in federal expenditures.
2. Pass legislation giving each postsecondary institution title to its current NDSL fund, with the provision that it be maintained as a permanent, revolving loan fund for needy students.
3. All principal payments and all interest must be deposited to the institution's loan fund, just as at present.
4. Allow each postsecondary institution with such a fund to lend under the Guaranteed Student Loan Program in its own state as a primary lender (not just as a lender of last resort), but only to the extent of amounts available from repayment of principal plus interest earned on loans, or to some prescribed limit based upon student need if institutions are allowed to add in any capital contributions of their own.

The loan funds thus available will be controlled by educational institutions to meet the needs of their own students, regardless of economic or other circumstances that could impact upon GSL funds available from commercial resources. The federal government eliminates annual NDSL appropriations without increasing the number of students borrowing under GSL or the current expense of operating that program. It is unlikely that the number of borrowers at educational institutions will have any serious effect upon student borrowing from commercial lenders. At the same time, the government gains the assurance that some of what it pays in interest becomes part of a college's revolving loan fund and will be available to needy students in the future to help with increasing educational expense. The educational institutions that trade in their NDSL federal capital contributions for a GSL interest subsidy may be better off in the long run. Those institutions that cannot benefit by such a trade-off are not going to see much in the way of NDSL money under present circumstances anyway. Such an arrangement will also have the salutory

effect of concentrating and consolidating student indebtedness under one loan program. Postsecondary institutions acquire protection of their capital against default; they also inherit a responsibility to satisfy the due dilligence standards that apply at their own state guarantee agency. Title to the money also opens up all sorts of administrative and servicing possibilities between postsecondary institutions and commercial lenders that are not feasible under NDSL and without the risks that led to abuse of the FISL program some years ago.

All in all, there could be much to gain by folding NDSL into GSL without sacrificing a national educational treasure that has been of direct benefit to students and postsecondary institutions since 1958.

Walter H. Moulton
Director of Student Aid
Bowdoin College
Brunswick, Maine 04011

September, 1985

II

Suggestions for Enhancing the
Usefulness and Administration of
the Guaranteed Student Loan Program

From its inception with the passage of the Higher Education Act of 1965, the Guaranteed Student Loan Program has become one of the most popular and useful of the federal student aid programs. While its cost is relatively high, the guarantee and the federal interest subsidy have proved to be essential and reasonably economical ways of generating the vast amounts of student loan aid that would not have been possible otherwise. Its very popularity, and its success in providing students with access to capital and time to repay the obligation after graduation, have stirred discussion on several fronts: eligibility, annual and aggregate debt limits as educational costs go up, potential for default if debt limits are higher, debt consolidation and extending the repayment term, the cost of the program and who should pay it. I offer the following suggestions in the hope that they will prove helpful in maintaining and improving upon a program that has demonstrated its value in so many ways.

(A) Eligibility --

1. The Guaranteed Student Loan Program should be need based for all applicants. For those who receive any other form of federal student aid, and for all students whose family's adjusted gross income (AGI) plus any non-taxable income exceeds $60,000, a full scale needs analysis (as at present) should be required. For those whose family income is less than $60,000 and/or who do not receive other federal student aid, I advocate continued use of the GSL Schedule of Expected Family Contributions (the so called look up table). However, I would suggest including an asset factor in the construction of the table. The national needs analysis services could use the data in their files to derive average asset holdings at various income levels so that the table would more nearly approximate the family contributions that result from a full need analysis. In this way, we can maintain as much simplicity as possible in the application process but still consider the five essential components of any need analysis: cost of education, family size, number of family members in school simultaneously, family income and family assets. Such a process will also insure that the same definitions and eligibility standards apply to all aid applicants.

(B) If a borrower is in default on a guaranteed student loan, he or she should not be eligible for another guaranteed student loan at any educational institution until that loan has been repaid or a satisfactory repayment agreement has been arranged.

2. Loan Limits and Terms --

(A) As the cost of education has risen, so has the pressure to increase borrower eligibility. A competing concern has surfaced at the same time: how much borrowing is too much -- is increasing default an inevitable result? With both concerns in mind, I suggest that undergraduate borrowing limits be increased as follows:

$2500	currently in year one to	$2500
$2500	currently in year two to	$3000
$2500	currently in year three to	$4000
$2500	currently in year four to	$4000
$2500	currently in year five to	$4000
$12,500	Aggregate Limit to	$17,500

Such increases in the loan limits are obviously designed to help with much higher educational costs than were applicable when the $2500 annual loan was first prescribed. They are also advanced with one eye on default. Those who have the most education and those who complete their educational programs are the ones who are in the best position to repay their loans and can thus afford to borrow more. The higher loan limits may allow for a more favorable balance between grant and loan in the earlier years, when borrowing should be restricted. I make no suggestion with respect to borrowing for graduate school but some adjustment of the limits may also be appropriate.

(B) The interest and repayment terms could be restructured as follows. The interest rate (8% at present) must be subsidized while the borrower is in school, at least for those who qualify for it. During the first five years of the repayment period, I suggest no change. Between years five and ten, the borrower's interest could increase one to two percent and the special allowance provided by the federal government could decrease by the same amount. If the borrower's debt exceeded a prescribed limit, or if repayment during the original ten-year term had to be extended for some legitimate reason, an additional five or even ten years could be allowed. However, the interest charge to the borrower should increase accordingly. The special allowance paid by the federal government should cease at ten years and any additional program costs would be the

responsibility of the borrower. If additional time is required to repay, the beneficiary of the education should pay more and the public subsidy should decline in proportion to the length of time required. This is the way other loans work; the borrower pays a higher price as the term for repayment lengthens. Assuming a special allowance payment of 2%, a summary of such an arrangement can be displayed like this:

	Government Interest Subsidy	Special Allowance	Interest to the Borrower
In College	8%	2%	0
Grace and Deferment	8%	2%	0
Repayment Period			
years 1 - 5	0	2%	8%
years 5 - 10	0	1%	9%
years 10 - 15 } consolidation	0	0	10%
years 15 - 20 } (if needed)	0	0	10% or more

Because the special allowance fluctuates, the interest rate to the borrower could also vary, or it could be set at specific levels for different parts of the repayment period. Under such an arrangement the incentive is for faster repayment, thus lower default and an overall reduction in interest cost with federal subsidy highest when students need assistance the most and declining as borrower earnings increase after graduation. It is probably only under such an arrangement that we can legitimately consider higher loan limits and longer repayment without also having to underwrite prohibitive program costs. The techniques for arranging loans with such variable interest rates are already well established and should not present major administrative difficulties.

This proposal is not meant to be all inclusive. A number of other changes may be beneficial. The specifics and the amounts are all open to adjustment. The thrust of these suggestions, however, is to promote a sensible sharing of program costs, allow for an expansion of borrowing, expand repayment opportunities, promote borrower responsibility, reduce default and, therefore, safeguard the integrity of the guaranteed student loan program for the generations of students to come who will need access to it.

Walter H. Moulton
Director of Student Aid
Bowdoin College
Brunswick, Maine 04011

September, 1985

Mr. FORD. Ms. Frechette.

STATEMENT OF MS. CHERYL FRECHETTE, DIRECTOR OF STUDENT AID, SOUTHERN MAINE VOCATIONAL-TECHNICAL INSTITUTE

Ms. FRECHETTE. Yes, I would like to thank you, Mr. Chairman, Congressman McKernan, for the opportunity to speak about the concerns and ideas of Southern Maine Vocational-Technical Institute regarding Federal financial aid. My colleagues have done an excellent job of hitting many of the issues that I have mentioned in my written testimony, so I will briefly discuss a few extras that I have.

SMVTI serves approximately 1,000 full-ime Maine students during the 1985 academic year. It is anticipated that of these students, 85 percent will receive $1.5 million in financial aid. Many students are in our institution to receive a technical education and they are from Maine's neediest families. We have some traditional, dependent students, but a growing number are the nontraditional self-supporting, and many are single parents. Many are seeking career changes and retraining so as to reenter Maine's businesses and industries.

Providing access and financial aid to these needy students is critical to their ability to contribute back into the program, back into the community.

Reauthorization of the Higher Education Act provides all of us the opportunity to participate in developing financial aid programs which effectively and efficiently serve students.

I will touch on a few of the items which I feel need to be changed in the program. To reiterate I feel the Pell Grant Program could become campus-based, more could be turned back over to the institution. We deal with students every day. We validate many of our students, we are aware and can make corrections. We are very concerned at our institution of delivering the money to these needy students as quickly as possible, so I do strongly support the issue of campus-based for the Pell.

I would also recommend the Pell grant processor be removed to prevent probably unnecessary duplication of information. The majority of our students, in order to receive any financial aid, must fill out a multidated processor's form through CSS and through ATT and the information is already available through them, so they are really submitting the information twice. And it is a duplication that is extremely confusing for the students. SMVTI strongly supports the use of needs analysis, and I would recommend, as my colleagues have, that the GSL Program be used as a needs-based program. I feel that the Pell calculation and the GSL contribution tables are confusing for students. Theoretically, you can tell them they have three different contribution figures; there should be one contribution figure per student, although you can only use one per student, you still can theoretically come up with three different ones for them.

Making a GSL a need-based program, includes looking at their asset information many times. We do see the student who does have an asset, and yet does qualify for GSL, because they have

only been asked to submit the needs test. I feel that this process should be eliminated.

Another critical issue that we have all discussed here today is the loan consolidation. We all do see rising aggregate loan amounts per students. I see some of the very, very needy families, our independent students are usually under $10,000 in income, and they have to live—they do not have their parents, as more of a traditional student would have, and they have to be able to support their own children, and they need the option of just having one program simplified for them. They need to make one payment. Sometimes they forget that they have an NDSL and they forget that they have—their parents have done the PLUS Program. Making one payment for them helps get them started in repayments, and getting them started, helps prevent default.

The main area which I feel needs to be reevaluated which was not mentioned today is the role of the Department of Education. I would like to see the Department get back into training and being a technical institute use to institutions. Currently, they are doing a lot of auditing, and I feel that although that is useful, we have many peers who are extremely qualified and know the program better than the Department, and could be able to travel around to various institutions, possibly selected by the Department, and give much more clear focus on what needs to be done.

The current system is really set up so that you get a set of rules and regulations, you contact your coworkers, you discuss amongst yourselves, and your various associations, ways to implement these new regulations. Two or three years down the line you are told, no, that was not the way you were supposed to do it. We have the Department available to come into us and say, this is what you should do. Our training currently is available only through our associations. We have excellent associations and many of us belong to many different associations, eastern, State, and national. However, we are very fortunate that we have these professionals that are willing to share with each other, and I would like to see the Department take a more active role in working with institutions to help implement some of the regulations that are available.

There are many proposals that are available in Congress, I certainly hope that you will all put together something that we can use to be more effective with students, the banks, and with our educational institutions.

Thank you very much.

[The prepared statement of Cheryl L. Frechette follows:]

PREPARED STATEMENT OF CHERYL L. FRECHETTE, DIRECTOR OF FINANCIAL AID, SOUTHERN MAINE VOCATIONAL TECHNICAL INSTITUTE

I would like to thank the members of the subcommittee on Postsecondary Education for the opportunity to express the concerns and ideas of Southern Maine Vocational Technical Institute regarding Federal financial aid.

S.M.V.T.I. will serve approximately 1,000 full-time Maine students during the 1985–86 academic year. It is anticipated that of these students 85% will receive over 1.5 million dollars of financial aid. Many students who pursue technical education at our institution are from Maine's neediest families. While some are traditional dependent students, a growing number are non-traditional, self-supporting and often are single parents. Many are seeking career changes and retraining so as to advance in Maine's businesses and industries. Providing access and financial assistance to

these needy students is critical to their ability to be able to contribute to the community and it is their concerns that reauthorization should address.

The reauthorization of the Higher Education Act provides all of us an opportunity to assist in the development of financial aid programs which effectively and efficiently serve students. It further allows Congress to produce a cohesive and comprehensive student aid program and to discontinue the piecemeal method of program design. Reauthorization done well can provide funding for qualified students, clear and efficient guidelines for administration of programs by institutions, and effective use of federal government resources.

It is recommended that the Pell Grant Program become campus-based similar to NDSL and SEOG, and that the Pell Grant Processor be eliminated. Campus-based programs insure tigher fund management by the institution thus assisting to prevent program short-falls. Additionally institutions can best direct and control the funding so as to assist the neediest of students. Elimination of the Pell Grant Processor removes unnecessary duplication of information as most institutions already use a multi-data processor for needs analysis. This would also provide cost reduction in the program.

S.M.V.T.I. strong supports the use of needs analysis and would recommend that one method be used for all programs. Currently there are not only general calculations for needs analysis, but separate formulas for Pell and GSL. I recommend that the Pell calculation and GSL contribution tables be dropped. Eligibility under programs would then be calculated through the uniform methodology needs analysis system. This eliminates the different theoretical contribution figures for the same student. Making GSL a need based program also would help reduce unnecessary borrowing and unnecessary cost to the taxpayers.

Another critical issue that must be addressed is loan consolidation. In these times of rising aggregate loan amounts per student, it is imperative that provisions be made to combine loan repayments. Cosolidation should be referred to the appropriate federal or state authority and should allow for longer repayment periods and reduced monthly payments. This may need to include more competitive interest rates as the repayment period expands. The ability to combine GSL and NDSL payments, various loans from different lenders, provides the student with one payment and simplifies the process. Consolidation aids the student in beginning repayment and will assist in preventing default by reducing the average monthly payment per student. This is a paramount item for your consideration.

The remaining area which needs to be re-evaluated is the role of the Department of Education. It is recommended that the Department shift from invesigator and auditor to one of providing training and technical assistance to schools and students. Peer program review would provide a stronger system of review by aid professionals and would be more effective. The refocus of the Department of Education as one of service to institutions administering federal rules and funding is a matter which needs to be seriously examined.

There are many worthwhile proposals that have been and will be introduced in Congress. It is our hope that the respective educational institutions, professional associations, and government agencies will work together to affect long-term, meaningful changes which support the principles of educational access, choice, and fairness to all Maine families.

Thank you for hearing S.M.V.T.I.'s testimony.

Mr. FORD. Thank you. One reaction to your idea of turning Pell into a campus-based program. That has a lot of merit, but it is politically impossible. We are barely able to get them to trust what we are doing now, to trust you to do your job.

I expect, fully expect that even if we get through the House without it, that we are going to be hit on the Senate side with grade-point requirements for continuing student aid. And we have been plagued with this throughout the program—how do you know that they are really working in school, after you give them this money. We do not. We so far have been able to convince succeeding Congresses that they had to trust institutions to make that determination on who they kept in school and who they did not keep in school. But, the pressure now with all this noise that has gone on about improving the quality, with the Secretary making statements like, the private colleges in this country have increased their costs

and decreased the quality of their education. I suspect we are going to have more pressure than ever to give you an additional factor to take into account, some kind of arbitrary determination of who should stay in school and who should not. And we will try to resist that because it does not make a whole lot of sense. A lot of schools that are attended by the students receiving aid do not have grades to begin with, and that shocks some traditionalists that college is actually passing people through courses without giving an A, B, C, that type of grade.

I suspect that in a lot of the larger institutions the pass-fail mode is now as common as the grade mode. And they move further and further away from the high school concept of how you tell whether somebody has learned something in the class, to a more subjective evaluation, so this sort of thing has always had an appeal to supporters of the program, but I think it will be Mr. Pell himself who is prepared to accept it as some kind of a benchmark for what satisfactory progress is. And it is not the first time—Claiborne is very sincerely concerned about that. But we cannot fight what the big man whose name is on the program about making very much change in the other direction. We will be lucky if we can hold our own.

And I just wanted you to know there is sympathy for what you—the wisdom of what you are saying. And, even with me there is some hesitation about every institution in my State being able to do that. Most of them, I suspect, would be able to do it well. I am not sure of all of them. And, unfortunately, we have to legislate to the lowest common demoninator.

Mr. MOULTON. Mr. Ford, may I comment on that. And I fully understand where you are coming from. I guess I am looking for a kind of hybrid arrangement. We have gone along for years under the understanding that a direct Pell grant that goes directly to the student has to be accompanied by a payment document called the student aid report. And I do not really think that is necessary at all. I am perfectly willing to let the Department calculate the Pell grant on the basis of the current application. The results of that application, Cheryl pointed out, are on the financial aid form analysis report, and I have one of those reports for every single student in my institution. I can create the alphabetical roster of students on the basis of that document and send it to the Department of Education with the request to send check a lot faster than I can collect 235 individual student aid reports at various times during the year; send them in, wait for the Department of Education to create the alphabetical list that I already have on my campus, and then send the check.

I am simply saying that I understand the necessity of keeping it as a direct grant program; the direct grant program does not necessarily mean a direct payment program through the student aid report. We have vehicles that could get around that much, if it is politically——

Mr. FORD. Well, you raise another one, then how do you react to this—I am pushing very hard because of the pressure I get from the Appropriations Committee. I have to go over there every year and convince them to give us the Pell money, and in this year, the supplemental. But none of the college students in my area know

that it is Federal money they are getting. So, we are trying to work out an additional form that parallels the truth in lending statement that you get when you take out a mortgage on your home, that at the very end breaks down the money, and segregates the money by how much comes from State resources, how much from institutional resources, and which Federal programs that the student is benefiting from. It is quite apparent from the fact that you could have the kind of assault that the President's budget would have made on the program in January, $2.3 billion allegedly just shifting money, but a real cut, and there was no student revolt.

The only place that we saw demonstrations, surprisingly enough, was in Iowa. The good old staid and conservative Iowa—we were down there for a hearing in an adjoining campus—was it Iowa State? They had a modern, not the kind of demonstration of the sixties, but a very spirited demonstration going on. At the University of Michigan they demonstrate over what day of the week it is, and there was no demonstation, even though that large institution has many, many millions of dollars involved. And, somehow the student is not getting a couple of things—we have concentrated on the fact that, particularly in the NDSL, students were coming out of school in the years past, not knowing that that was a loan and not a grant, because they got it from the institution, and it was not made clear to them.

What is your NDSL default rate compared to the GSL rate?

Mr. MOULTON. Well, GSL, I cannot tell you, because we have got students from 50 different States and we have to sort of be able to break them down and go back to the State agencies, but our default rate on NDSL, as well as our own private college loan program, is less than 5 percent.

Mr. FORD. Do you remember when Ted Bell put the 25-percent limitation in? We cooperated with him on that because I did not think there would be very many institutions. It turned out there were about 500? We had 500 institutions that exceeded 25 percent. And I looked at a breakdown from my own State, and I was surprised, because I thought it would be in the urban colleges, with the high percentage of low income, and lo and behold, the ones in my State that were having the trouble were small church-related institutions that theoretically are turning out the midwesterner's view of the proper middle-class citizens. And then we started asking why, and I think you told us why, when you told us about your own experience about being forced into the collection business. Michigan and Michigan State use computers for everything, and they have since the beginning of the machines, and so they just crank it up and away they go.

But you go to one of the small colleges, the small private colleges, no tradition of running a loan business, and collecting a loan, and everybody looks at everybody else and says, well, you go collect it, and there was no followup.

And, what we discovered was that Bell's limitation actually worked. Those institutions came down under 25 percent, so fast that it was amazing, demonstrating that they had within their power the capacity to do it, which bears again on this question of which institutions will run these things in a businesslike way, not because they are not good people and not properly motivated, but it

is not in their tradition of that institution to be in the business, and making the loan was difficult enough for them, but the idea that they had to go out and follow up on those and collect them, was really kind of hard for them to accept.

And, as a matter of fact, many of them at that time still did not have a fulltime person on their staff who worked in this field.

Mr. MOULTON. Many of us have elected to farm that process out. Colleges are good educational institutions, but a lot of them are pretty lousy banks, and when you take into consideration, rates of 3, 4, and 5 percent, sometimes overlapping on the loan, when you take into consideration default and cancellation and the fact that you may be dealing with the borrower for a period up to 25 years; we actually have one student who graduated in our class of 1963 who made his first NDSL loan payment this year. He has been in deferment that long, he is going to die of old age in graduate school, I think. But, you deal with these people for a very very long period of time, so the administrative complexity of getting money back, it is time consuming, it is expensive, but you do need pretty sophisticated loan collection programs. As good as we are, we are at it in 20 years, we took it out of house, we have contracted a separate billing and agent to do the job for us because it really does require that.

Mr. FORD. That is how many of the institutions that were in trouble straightened up. You also mentioned the problem that exists now where you can be in default of one loan and go someplace else down the road to another school and take out another loan. The administration's proposals would have required that all loans in default be reported to credit bureaus, thereby becoming a part of whatever is seen when you ask for a credit card or anything else. We want to go a step further. And I want your reaction to it. We want to require the lenders, whether it is an institution, in an NDSL, or a private lender in the case of GSL's, to report all loans to the credit bureau, just as they report all our loans and household loans and so on, so that the 95 percent who pay the loans back, acquire a positive credit rating. And the other 5 percent knows from the beginning that it is going to be there when they leave school for whatever reason and try to buy an automobile or get a gasoline credit card or anything else. How does that strike you?

Mr. MOULTON. Lovely. It is a very wise move.

Mr. FORD. We have tried it on the bankers and get mixed reactions. Bankers tend, whenever you say, we are going to require you to do something, well, you are going to put more strings on it. But, I get the same answer I get to the other question—what other kinds of loans do you make that you do not report to the credit bureau that you do business with, and they say, none.

Now, all we really are looking at here, again, we used to resist the idea of reporting to the credit bureau because you are putting an onus on the student, but I think we are past the time when we can play with that sort of thing. What do you think the student populations you work with, how do you think they would react to knowing that the loan, whatever its source, was at that point of its origination——

Mr. MOULTON. They would accept it.

Ms. FRECHETTE. I have had students ask me before why it was not on a credit report when they did pay back. Not very many——

Mr. MOULTON. I do not think that they would be surprised.

Mr. FORD. Do you think it would be an incentive that would be helpful in planting the idea that this is not a grant but a loan, and also that it is probably wise to get rid of this thing, because nobody is going to lend you money to buy a condominium if you have got $10,000 on the books already?

Mr. MOULTON. Yes. One point that I would like to make, and that is that just as we had a responsibility to do everything we can to inform the borrower, and to do due diligence with respect to collection and whatnot, with our NDSL program, the student has responsibilities as well. And, I think they are willing to assume the responsbilities as long as they know what the rules of the game are up front, and I think that some of the aid administrators have been remiss in providing all that up-front information, so that has contributed toward the state of affairs that we are in now, the high default rates.

For many students this is their first credit experience, it ought to be an educational experience in how one conducts one's financial affairs; it is a very very good place to begin that process, I think.

Mr. BATTY. They are sort of captive citizens. We have got them there. We started a process some years ago in our own institution of requiring what we call, entrance interview. And we spend about 45 or 50 minutes talking about loans, and how they are paid back, and why they have to be paid back. We even get down to the difference between simple interest and an add on of principal or compounding, what it is all about.

That information, I think, they find useful. As a matter of fact we started the process because our seniors told us, you should not have waited until we got to the fourth year to start—you should have told me earlier—because I might have made different sorts of decisions about how much and what to use the money for, etc., etc.

Mr. FORD. Thank you. Mr. McKernan?

Mr. MCKERNAN. No questions, Mr. Chairman. Thank you.

Mr. FORD. Mr. McKernan. You have an announcement.

Thank you very much. We have another panel here.

Mr. MCKERNAN. We are going to have a student panel that we have selected previously, but I understand that there are three students from the University of Maine at Farmington who made the two-hour drive down here just to show their support for student aid, so I want to introduce them and have them stand, Lisa Beck, Ronald Dorman and Rosemary Paulson.

Ms. PAULSON. May I be heard?

Mr. MCKERNAN. Yes.

Ms. PAULSON. At the University of Maine at Farmington, there are many who say there is a good reason that the people most vitally interested in this issue would not be heard. To that end, and to compensate for that, I have here 45 letters from students from Farmington, 45 future taxpayers, voters, which I would like to present to you to take into consideration.

Mr. MCKERNAN. Are you presenting them to the committee for the official records?

Ms. PAULSON. To the committee for the official records, yes, sir.

Mr. MCKERNAN. I appreciate that.

Mr. FORD. Without objection, the letters will be entered in full at the end of the hearing record.

Ms. PAULSON. Then, you can have my statement, too.

Mr. FORD. All right, we have it.

Would you solicit the statement from the students?

Mr. MCKERNAN. Are the students whose names I mentioned still here?

Ms. PAULSON. Yes.

Mr. MCKERNAN. If you have any additional statements that are not in these letters, I would hope that you would also feel free to let us know so we can include them in the official record.

Mr. FORD. Thank you.

We have Lauren Bray, student at the University of Southern Maine, and Anna Gailitis, student at Westbrook College.

Mr. MCKERNAN. Who wants to go first?

Ms. BRAY. I will go first.

Mr. MCKERNAN. Fine.

STATEMENT OF LAUREN BRAY, STUDENT AT THE UNIVERSITY OF SOUTHERN MAINE

Ms. BRAY. A year ago September, 13 years after I stopped attending the University of Maryland, I enrolled as a student at the University of Southern Maine. My attendance is made possible not only by friends and family, but by a social awareness that individual strength must be nurtured in order that the community as a whole can progress and excel.

I am here representing quite a number of people who are seeking ways to make their own long-term contributions. Our short-term needs as nontraditional students are immediate, whereas our gifts are forever. Getting to the point, we are dependent upon adequate financial assistance in order to sustain ourselves and our families while we are in school. The system, as it is set up now, does not meet our needs. I'd like you to consider three aspects of reality facing a single head of household attending college.

First, the complexities of our lives. We are penalized for not being typical. Typically, a 15 or 12 credit hour load, along with the responsibilities of a family and a work-study job, not to mention the emotion or impact of continually juggling money, daycare and transportation, is just short of an impossibility. From my point of view, the comparison would be as if a traditional student were carrying 26-credit hours, and yet, I receive less aid because my situation necessitates that I take a slightly reduced course load. My life is no less full than students taking fifteen credit hours.

Second, as bread winners we are pressured to complete our education as rapidly as we can. We are motivated not only from an immediate need to provide for our families, but because our upbringing has led us to think we should be further in lives. Many of us would like to attend summer school in order to more rapidly complete our educational requirements. The cost of an education during the summer months does not change, but financial assistance does, dramatically, prohibiting enrollment, thus extending the

time it takes for us to get out there in the job market or necessitating even more loans.

And, finally, when I graduate 6 months to 1 year later loans from two separate educational funds come due. It is my hope that I will no longer require aid because I will have gotten a typical entry level job. The dollars and cents impact on my life of the repayment plan as it stands today may push me economically back down to the point where I wouldn't be able to support myself and my son. I would endorse legislation that consolidated loans and allowed a longer repayment period.

In summary, these factors of adult student reality are not looked at in a financial need analysis. That is, in terms of a reduced course loan and added pressure to complete educational requirements quickly and the ramifications of taking out loans for a period of one to 6 years in order to survive. These needs are very real for nontraditional students and should be considered in light of our contribution.

[Prepared statement of Lauren Bray follow:]

TEXT OF STATEMENT BY UNIVERSITY OF SOUTHERN MAINE STUDENT LAUREN BRAY

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First, the complexities of our lives. We are penalized for not being typical. Typically, a fifteen or twelve credit hour load, along with the responsibilities of a family and a work-study job, not to mention the emotional impact of continually juggling money, daycare and transportation, is just short of an impossibility. From my point of view, the comparison would be as if a traditional student were carrying twenty-six credit hours and, yet, I receive less aid because my situation necessitates that I take a lightly reduced course load. My life is not less full than students taking fifteen credit hours.

Secondly, as bread winners we are pressured to complete our education as rapidly as we can. We are motivated not only from an immediate need to provide for our families, but because our upbringing has led us to think we should be further in our lives. Many of us would like to attend summer school in order to more rapidly complete our educational requirements. The cost of an education during the summer months does not change, but financial assistance does, dramatically, prohibiting enrollment, thus extending the time it takes for us to get out there in the job market or necessitating even more loans.

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Mr. FORD. Thank you.

Anna?

STATEMENT OF ANNA GAILITIS, STUDENT AT WESTBROOK COLLEGE

Ms. GAILITIS. Yes. Good afternoon, Representatives Ford and McKernan. My name is Anna Gailitis and I am pleased to represent financial aid through a student's viewpoint. I am a second year student in the liberal arts program at Westbrook College in Portland, ME. I have spent the majority of my years in Maine, and I am a graduate of Greenville High School. I will receive my associate degree in liberal arts this spring, and I plan to continue my education to receive a baccalaureate in English, if financial assistance provides.

I have been fortunate in my first 2 years of college to receive ample assistance for my education. I meet 100 percent of my education expenses through a combination of grants, loans, scholarships, and work.

A comprehensive cost, as a self-supporting student, is $12,338. This cost is reflective of my tuition, room and board, books, travel, and personal expenses.

Thirty-three percent of my cost is met through loan assistance, approximately 17 percent will be covered by a combination of part and full-time employment and the remaining 50 percent of my cost is met through a combination of grants and scholarships.

My financial aid is derived from Federal, State, and institutional sources. If one of these sources was deleted, it would be impractical for me to supplement this by working, as I presently average 30 to 35 hours per week. Thus, my only choice would be to take an educational leave of absence for time to acquire large savings, or to discontinue schooling altogether.

I often contemplate with discomfort, what my future would have been, or would be, if I could not follow through with my education. However, through this pursuit, I am able to be the editor-in-chief of the Westbrook College News. I have gained experience as the liberal arts president, I have been recognized as a Blaine House Scholar and most importantly, I have had the opportunity to create a growing network of people to assist in my development.

I ask you to consider the definite need of financial assistance in my situation and to remember that I am representing hundreds of thousands of students.

Thank you.

[The prepared statement of Anna Gailitis follows:]

PREPARED STATEMENT OF ANNA GAILITIS

Good morning Representatives Ford and McKernan. My name is Anna Gailitis and I am pleased to represent financial aid through a student's viewpoint. I am a second year student in the Liberal Arts Program at Westbrook College in Portland, Maine. I have spent the majority of my years in Maine, and I am a graduate of Greenville High School. I will receive my Associate Degree in Liberal Arts this spring, and I plan to continue my education to receive a baccalaureate in English, if financial assistance provides.

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I ask you to consider the definite need of financial assistance in my situation and to remember that I am representing hundreds of thousands of students.

Thank you for your time.

Mr. FORD. Thank you both for very fine testimony, but Lauren, you confused me a little bit. How does your student aid drop off when you take less than a 15-hour program?

Ms. BRAY. It drops off. If I take 15 credit hours, I would receive more aid than if I am taking 9 credit hours, or even 12 credit hours.

Mr. FORD. You are the first one that has raised that to me and it is a very good point. We have heard a lot of testimony from people in similar circumstances to yours, in various kinds of educational institutions and settings, but you are the first one that has raised the proportional reduction question, and I find that is pretty difficult because we are considering a very energetic proposal by one of our members to pay for less than half-time students, who provides a very strong justification for that, and probably will be trying to do something. Maybe we can address this question to it, and see what might be done about it and what kind of costs we are talking about.

It is a very good point. I should encourage you, however, to tell you that there were a number of proposals thrown at us back in January that impacted on the independent student in your circumstances very very directly. And, unanimously on the committee, both Democrats and Republicans, just said no. It was a mind set. I am not trying to talk for all of them—the mind set that I picked up from the very beginning was that they just totally rejected the Secretary's proposals, that we retreat from what has become the pattern, of encouraging people like you to be in school.

Ms. BRAY. Really?

Mr. FORD. And, so, you ought to know that given an opportunity to turn back to the so-called—what was the term you used, you are punished for not being——

Ms. BRAY. Typical.

Mr. FORD. Typical. We do not know what that is.

Ms. BRAY. It is an understatement.

Mr. FORD. If you find somebody in education who knows what a typical student is, they do not know an awful lot about education. We are constantly reminding people that if they just look at the 1980 census figures, they would discover that the typical family of four now constitutes 11 percent of all the families in the country, not all the people, but of those people who live in what you would call a family.

Ms. BRAY. Uh, hum.

Mr. FORD. The typical family of four that we have been talking about all these years is now only 11 percent of the families, and yet we still have people trying to design everything for that typical family: mama, papa, mama at home taking care of the children, two children in school.

Ms. BRAY. Uh, hum.

Mr. FORD. It is gone. And I strongly suspect that people in your circumstances are approaching the point where if 11 percent makes you typical, you are typical.

Ms. BRAY. Do you understand what I mean when I say, typical, though?

Mr. FORD. You are not as atypical across the country as you think.

Ms. BRAY. Right. Well, that's good news.

Mr. FORD. And members of the committee are aware of that.

Ms. BRAY. I am glad.

Mr. FORD. Thank you very much. Mr. McKernan.

Mr. MCKERNAN. Thank you both for coming. Lauren, one of the things that has come to light during the hearing process, especially during the hearings I had here in the district in August, is the fact that our student aid programs, that as Congressman Ford has said, have been in place for 20 years, have not started to address the needs of people in your situation, which in fact is becoming more typical.

Ms. BRAY. Uh, hum.

Mr. MCKERNAN. President Woodbury mentioned as we started off the hearing today, that he read recently that only 2 million of the 12 million students in this country fit the definition of what we think of as a typical student. If these programs are really going to satisfy the need in the future, we are going to have to take this into consideration; and look at whether or not we really ought to create a situation where you are not able to go in the summer because of a reduction, for instance, and whether or not you could speed up your process and be treated better by the Government programs if we redesigned those programs to address that need.

Mr. FORD. I will be happy to join the gentleman when he offers that amendment to the reauthorization bill.

Mr. MCKERNAN. Maybe that is on the record. [Laughter.]

I want to thank you, very much, for coming down.

Mr. FORD. We are way past our time. I want to thank everyone for being so patient with us. You can see apropos the first question that I got when I came here this morning that there is a difference, in where you go and what you hear. But I want to ask one question while the State people are here.

Now, we have had an interesting proposition presented to us by our California colleagues and by the chancellor of the California system and that is that the students who cannot prove American citizenship, although they are graduates of American high schools, and they live in this country, and go through the whole school system, graduate from one of our high schools, and then the requirements of the student aid programs are that you must be an American citizen, have you had any difficulty up here being on the

Canadian border with students being denied student aid who have actually graduated from American schools?

Mr. CAMPBELL. I will take a shot at that.

Mr. MCKERNAN. This is the man who won the lottery.

Mr. FORD. Lucky.

Mr. CAMPBELL. My name is Dick Campbell, I am the director of financial aid at USM, and——

Mr. FORD. Dick, if you will pardon us if we stare a little bit, we are not used to testimony from millionaires before us. [Laughter.]

Mr. CAMPBELL. You still aren't. Just, also, for the record, in terms of Congressman McKernan's earlier comment, I would like to point out that the company that made this suit went out of business two years ago, so—[Laughter.]

Here in the Northeast, we have not had the same level of problems with illegal aliens as they have had in other parts of the country. We are under the same requirements as other parts of the country in terms of requiring documentation of citizenship, and it has not, generally speaking, been difficult for our students to obtain. Certainly, it is not been as major an issue as it is in California or other parts of the country.

Mr. FORD. Well, my district is on the Canadian border, too, a little further inland, and according to the last census I have 25,000 people in my district who still identify themselves as Canadians. I would be surprised if most of the schools in Michigan even bother to ask because the average Canadian sounds just like Michiganders to Michiganders.

But, in other parts of the country, different people are having a problem. And in California they are litigating this issue right now, and I believe it is in the Federal courts. And, so the school people there are saying to us, and I am sure it will be followed in other States as well, that maybe the parent came into the country illegally, and I do not think that most of my Canadian constituents—I do not know how many of them vote, by the way, because I suspect if they wanted to, they could. I do not know how many of them know what a green card is because nobody ever asked. If you come to downtown Detroit and see the Ambassador Bridge and the tunnel—it connects downtown Windsor with Detroit—you will see in the morning all of the Ford workers coming across, in the evening they will go back, and they can buy a package deal for the week on their tolls, just as they commute in and out of any other city, but to them it has always been an open border and living in Canada and working in the United States or the other way around, has been really sort of nothing more than a traveling convenience, so if you were to ask those people at the bridge, where is your green card to go to the factory with, they would not know what you were talking about, so the children—they might choose to move in to a community and settle down, and the parents decide, well, we will stay in the United States, but we will not bother with citizenship because they do not feel a strong need for that.

The children are left in a sort of limbo—they could graduate from a high school in my area, and then not have access, even though they are American high school graduates, to the same programs that we provide, incidentally, for over 300 offshore schools.

Mr. CAMPBELL. I think what I might say in response is that it may be an issue that is somewhat related to the differences in the size of the type of situation you describe in Michigan, and the type of border communities that we have here in Maine, that are quite a bit smaller.

I can truthfully say that I have been involved in student financial aid here at USM for the last 13 years, we're the second largest public institution in the State of Maine, and I am unaware of this issue ever preventing a student from applying for or receiving financial aid here. I would suspect that there are other parts of the country where it may be certainly——

Mr. FORD. What kind of documentation do you normally require of entering students? Do all students who present themselves in the student aid office, are they requested to show citizenship?

Mr. CAMPBELL. On the admissions application, we ask for the student to state their citizenship. Barring any conflict—and the place of birth—barring any conflicting documentation we assume that those statements are accurate, and we do have a record of where someone was born, if they were born in a Canadian province, for instance, instead of the United States, we would have mechanisms so that we could follow up on that and request the appropriate documentation, if that student chose——

Mr. FORD. Now, by documentation, you mean that you ask the question and they are violating the law if they lie, in answer to the question, but if they say, Detroit, MI, or Seattle, WA, where they would talk very much the same, you accept that, unless somebody tells you something different.

Mr. CAMPBELL. Unless we find information to the contrary. I might also point out that locally, Immigration and Naturalization Services, in a joint project with the Department of Education, has just been reviewing the status of foreign students who are attending schools here in Maine, and they have visited, I believe, most of the institutions in Maine, checking on the documentation that they have.

And, again, speaking for Southern Maine, they went through a great deal of information that they had as well, to try to identify people who could potentially be in a situation where they were noncitizens and claiming to be—and, again, none were uncovered, so I am really certain that the system we have—and the basic honesty of people on the applications—is working. I think it is a much more difficult question though that you pose in terms of the appropriateness of providing benefits to these students. And that is one that I think will be very difficult to wrestle with because of the economic implications it provides.

Mr. FORD. This is a dilemma. There is an immigration bill coming at us now that is going to require employers to determine whether or not a person is a legal resident of the country. That, inevitably, is going to lead to some kind of an identification card, and I hate to think of what Ford Motor Co. is going to have to do with the Canadians coming across the river, they are just not going to stand for that. They belong to the union, they are employees, and we will be litigating that for a long time.

But, these are questions that never were raised to us before. They are being raised now by all the attention on the immigration

bill and nobody looks at what impact it has on other Federal programs, State and Federal programs that require citizenship as a condition to access. So, there is a new, sort of emphasis, coming on. I was just curious when I heard the mention here of the proximity to the border, as to whether or not that had arisen.

In 1981, the administration commissioned a search for fraud & abuse, as you may remember, in the Student Aid Program. They expended 44 man-years of work. At the end of the year they came up with a handful of things that they found wrong. One of them was non-American students admitted to a school in Rhode Island. I jumped on that, well that is obviously Canadians—it turned out to be strangely enough, Nigerians. What they were doing in school in Rhode Island, I never did find out. But those were considered to be Pell grant violations in that instance. And it was the only ones they found in the entire country, after expending the 44 man-years of effort.

And, it has not, heretofore, presented a problem, but now you have the litigation on the west coast and that tends to spread. The first case on bilingual education was brought in San Francisco, and now it is across the country. It does not take very long.

So, I thank you very much. I am willing to rely on the fact that if anybody had heard about it, you would.

Mr. CAMPBELL. Thank you.

Mr. FORD. Thank you very much, and thank you, again, Mr. McKernan for a fine panel that you put together today. I appreciate the contribution of everyone. You even brought a friendly banker. I am fascinated by that.

Mr. MCKERNAN. We have all friendly bankers in Maine.

[Whereupon, at 2:10 p.m., the subcommittee was adjourned.]

[Also during the hearing, the Postsecondary Education Subcommittee received many letters from other students at the University of Maine at Farmington, who wished to be on record in support of student aid programs. These letters, which are being maintained for the public record in the office of the Postsecondary Education Subcommittee (320 Cannon House Office Building, Washington, DC), were received from: Ida A. Atkinson, Donna Bell, Gary L. Bickford, Robin Bickford, Carla Bridges, Angela Brooks, Barbara Brosnan, Pamela M. Browne, Rita M. Crudden, Tracy Damon, Linda L. Davis, Elizabeth A. DeMerchant, Pauline Fecteau, Tina L. Ferland, Brenda L. Fletcher, Michelle A. Folster, Fred French, Meryl L. Guilford, Mary B. Harriman, Kathy M. Hatch, Laura L. Henderson, Lorraine Ivers, Peter L. Keaton, Charlena Knight, Nancy J. Knowlton, Laura Lynn Marcoux, Darlene McBean, Sonja L. Miles, Beryl Moore, Liesl M. Morgan, Laura M. O'Hanlon, Michelle D. Picard, Mark Prindall, Regina Renna, Marie Roney, Amy Russell, David S. Shahzade, Lisa Simpson, Jodi J. Tome, Norm Vincent, Chrystal J. Warren, Anne Washburne, David S. Winschel, Penny Woodward.]

[Additional material submitted for the record follows:]

PREPARED STATEMENT OF NICHOLAS S.J. KARVONIDES, CHAIRMAN, THE UNIVERSITY OF MAINE ORGANIZATION OF STUDENTS FOR EDUCATION

Dear Representative Ford and Committee Members: On behalf of the University of Maine Organization of Students for Education (UMOOSE), I strongly urge the re-

authorization of the 1965 Higher Education Act, and especially Title IV of the act, Student Assistance.

The financial assistance programs of Title IV of the H.E.A. have provided an opportunity for thousands of Maine students over the past two decades to pursue a college education, and a better life for themselves and their families. It is vital that these programs be continued, and if possible, increased to keep pace with the rising cost of education—rising at or above the rate of inflation in recent years. The average cost for the 1984-85 academic year at a four year public university was $4,881, and $9,022 at a four year private university.

The H.E.A. Title IV programs have been instrumental in allowing students to meet these rising costs. At the University of Southern Maine, between 2800 and 2900 students receive average financial aid awards of between $2,400 and $2,700. On the University of Maine campuses in general, over 12,000 students, 56% of the student population, relied upon assistance from one or more Title IV programs in the 1984-85 academic year.

Yet while the costs of a postseconding education were rising above the rate of inflation, the Reagan Administration and the Congress have targeted H.E.A. programs for reductions in recent years. In the 1981 Omnibus Budget Reconciliation Act, the Congress reduced FY 82-FY 84 authorization levels for most H.E.A. programs. In addition, the Reagan Administration has consistently proposed reductions in Title IV student assistance programs.

On behalf of the students of Southern Maine, UMOOSE strongly recommends that Administration attempts to cut Title IV programs be stopped, and that Congress increase the amount authorized for Title IV programs to keep pace with the Consumer Price Index. The federal government does have a role in providing educational assistance to its citizens. Thomas Jefferson once said that the key to the success of a society was the education of its people. To prevent the development of two Americas, on of the privileged educated few, and one of the disadvantaged uneducated many, UMOOSE. strongly urges the reauthorization of the 1965 Higher Education Act.

NATIONAL ASSOCIATION OF STATE APPROVING AGENCIES, INC.
October 10, 1985.

Hon. JOHN R. MCKERNAN, Jr.,
U.S. House of Representatives,
Washington, DC

DEAR CONGRESSMAN MCKERNAN: As a follow-up to recent correspondence and conversations with your office, I am writing to summarize the most salient points pertinent to standards of progress as they relate to the reauthorization of the Higher Education Act and to request your support for consideration of these points by the House Subcommittee on Postsecondary Education. I am writing as a constituent with professional responsibilities and interests in this area and as President of the National Association of State Approving Agencies, an organization of State units having responsibility for the approval and supervision of education and training programs for military personnel, veterans and dependents.

First, the bottom line for standards of progress is accountability. Moreover, substantive standards of progress do not conflict with the basic premise of the Higher Education Act—enhancement of access and choice.

Second, current guidelines established by the Department of Education and educational associations for delineating satisfactory academic progress standards do not ensure accountability nor do they provide for an adequate enforcement mechanism.

Third, substantive standards of progress are two dimensional. They are comprised of a qualitative as well as a quantitative component.

Fourth, a national policy (parameters and guidelines) on satisfactory progress standards should be developed at the federal level. The Congress should take a lead role in the development of this policy.

Fifth, the national policy should include an enforcement mechanism—there should not be law without an adequate enforcement provision.

Sixth, States should be responsible for ensuring institutional implementation of the national policy. Sections 1771(a), 1773, 1774(a) and (c), and 1782 of Title 38, United States Code could be used as a guide for the development of an enforcement mechanism.

Congressman McKernan, I appreciate the opportunity to provide comments on the standards of progress issue and urge your support of the concepts discussed in this letter.

Sincerely yours,

C. DONALD SWEENEY, *President.*

SEPT. 24, 1985

CONGRESSMAN JOHN MCKERNAN
LONGWORTH HOUSE OFFICE BLDG.
ROOM 1535
WASHINGTON, D.C. 20515

DEAR SIR,

AT THE PRESENT TIME, I AM A PUBLIC INFORMATION COORDINATOR OR STAFF REPORTER FOR THE UNIVERSITY OF MAINE AT FARMINGTON. BUT I DO NOT WRITE TO YOU FROM THAT PERSPECTIVE TODAY, BUT FROM THE VIEWPOINT OF THE NON-TRADITIONAL STUDENT.

I AM, AT PRESENT, A GRADUATE STUDENT AT THE UNIVERSITY OF MAINE AT ORONO, HAVING RECEIVED MY BACHELOR'S DEGREE FROM UMF IN DECEMBER '82.

TEN YEARS AGO, I FOUND MYSELF A SINGLE PARENT WITH SIX CHILDREN, RANGING FROM THREE TO SIXTEEN YEARS OF AGE WITH A LITTLE BIT OF PROPERTY BUT, SHIPWRECKED SO TO SPEAK, ON THE SHORES OF MOOSEHEAD LAKE. I SUPPORTED MYSELF AND MY CHILDREN BY WORKING AT ALL THOSE JOBS WOMEN TRADITIONALLY DO, DESK CLERK, NURSES AIDE, WAITRESS AND SO ON. IN 1977, I GOT A JOB WITH A FEDERAL EDUCATION PROJECT, AS COMMUNITY COORDINATOR FOR THE UMF/SAD #9 TEACHER CORPS PROJECT.

AFTER TWO YEARS, THAT JOB WAS OVER AND THERE WAS NO COMPARABLE POSITION IN THAT TOWN. I WAS TOLD THAT I COULD NOT DO THAT WORK AGAIN WITHOUT A DEGREE. SO I PACKED UP THE THREE KIDS WHO WERE STILL AT HOME AND EMBARKED ON A COLLEGE CAREER.

PEOPLE HAVE SAID I AM ADMIRABLE. ADMIRABLE PERHAPS. DESPERATE, DEFINITELY!

THE FIRST YEAR AT UMF, MY FINANCIAL AID PACKAGE WAS SUFFICIENT SINCE I HAD MONEY LEFT FROM THE SALE OF OUR HOME. THE SECOND YEAR, A PECULIAR THING HAPPENED. I APPLIED FOR A GUARANTEED STUDENT LOAN AT MY BANK AND IT WAS APPROVED IN THE AMOUNT OF $2500. WHEN I TOOK THE FORM TO THE FINANCIAL AID OFFICE, THEY SAID I COULDN'T HAVE IT. IT WOULD PLACE ME OVER THE CEILING.

AT MY AGE AND STATION; THE BANK OKAYS A LOAN AND SOME YOUNG MAN TELLS ME I CAN'T HAVE IT?!?

AFTER SOME REFLECTION, WE REALIZED THAT THE PROBLEM LIES SOMEWHAT WITH THE PROCESS, THE GUIDELINES, REGULATIONS OR PERHAPS MORE SPECIFICALLY WITH THE APPLICATION FORMS.

THERE IS SPACE FOR THE STUDENT WHO IS DEPENDENT ON PARENTS. THERE IS SPACE FOR THE STUDENT WHO IS INDEPENDENT OF PARENTS. BUT THERE IS NO SPACE ON THAT FORM FOR THE STUDENT WHO IS A PARENT WITH DEPENDENTS!

IT IS TYPICAL OF OUR FINANCIAL AID OFFICE AT UMF THAT MEETINGS WERE ARRANGED WITH STUDENTS AND REPRESENTATIVES OF HUMAN SERVICE AGENCIES AND THE FINANCIAL AID CEILING FOR NON-TRADITIONAL STUDENTS WAS RAISED SOMEWHAT. I GOT MY LOAN AND SEVERAL MORE AFTER THAT AND AM NOW CARRYING AN EDUCATIONAL DEBT LOAD OF OVER $10,000. THAT'S ON TOP OF A MORTGAGE, AND A CAR LOAN AND ASIDE FROM RUNNING EXPENSES. I INTEND TO GO ON FOR A PH.D. PART OF MY MOTIVATION IS TO STICK AT IT LONG ENOUGH THAT MY SOCIAL SECURITY CHECKS WILL PAY OFF THE LOANS. I'M NOT SURE THERE IS ANY OTHER WAY TO DO IT.

RECENTLY, I READ A CLIPPING FROM THE BANGOR DAILY NEWS (WHICH IS ATTACHED) PLEASE NOTE THE MARKED SECTIONS. I WOULD REMIND YOU OF NAISBETT'S BOOK, MEGATRENDS, WHICH SUGGESTS THAT ALL OF US WILL NEED RE-TRAINING OVER AND OVER AGAIN DURING OUR LIFETIME. I WOULD REMIND YOU OF THE BOOK, FUTURE SHOCK, THAT INSISTS ON THE INEVITABILITY OF CONSTANT CHANGE.

I WOULD REMIND YOU FURTHER THAT MOST PUBLIC CAMPUSES IN THIS STATE, IN RESPONSE TO THIS TYPE OF OPINION, ARE ACTIVELY AND ENTHUSIASTICALLY RECRUITING OLDER, RETURNING, NON-TRADITIONAL STUDENTS.

WHEN WE ARRIVE ON CAMPUS, HOWEVER, WE FIND THAT THE CONSTRAINTS WHICH THE YEARS AND VICISSITUDES OF LIFE HAVE PLACED AROUND US, HAVE BEEN FORGOTTEN THROUGHOUT THE LENGTHY CHAIN OF ENABLERS WHO SUPPOSEDLY WISH US WELL. IT IS INDEED THE ULTIMATE CATCH-22. IF WE DO NOT FIND A WAY TO RE-TRAIN, WE WILL BE POOR AND A DRAG ON THE ECONOMY. IF WE DECIDE TO GO TO AN INSTITUTION OF HIGHER EDUCATION, WE FIND OURSELVES CHOOSING BETWEEN EDUCATION AND OUR SPOUSES, AND/OR CONDEMNING OUR CHILDREN TO THREE OR FOUR YEARS OF POVERTY, IF WE ARE TO ATTEMPT TO IMPROVE OUR LIFE CHANCES.

AND ISN'T IT DISTINCTLY UNFAIR, TO CUT BACK ON PROGRAMS WHICH WOULD BENEFIT THE VERY PEOPLE WHO, OVER YEARS, HAVE PAID THE TAXES THAT PUT THOSE PROGRAMS IN PLACE?

THE FREQUENCY WITH WHICH NON-TRADITIONAL STUDENTS SHOW UP ON DEAN'S LISTS, IN THE HONORS AND HIGH HONORS CATEGORIES OF GRADUATING CLASSES, IS ALMOST EMBARRASSING. IT IS, HOWEVER, UNDERSTANDABLE BECAUSE WE BRING TO OUR STUDIES THE SAME WORK ETHIC THAT SUSTAINED US BEFORE THE JOBS DISAPPEARED OR CHANGED. WE STUDY, NOT BECAUSE OUR PARENTS INSIST ON IT, OR BECAUSE WE THINK IT'S - MAYBE - A GOOD IDEA. WE STUDY TO

PREPARE OURSELVES TO EARN A SHARE OF THE GOOD LIFE, TO HAUL OUR FAMILIES OUT OF POVERTY AND TO PREPARE FOR AN INDEPENDENT OLD AGE.

SSI CHECKS, UNEMPLOYMENT, AFDC, FOOD STAMPS AND OTHER PUBLIC ASSISTANCE, BARELY KEEP A HOUSEHOLD TOGETHER. THEY WILL NOT PAY THE COST OF HIGHER EDUCATION.

WE NON-TRADITIONAL STUDENTS ARE EMINENTLY READY TO DO THE WORK OF PREPARATION, BUT WE DESPERATELY NEED THE FEDERAL GOVERNMENT TO HELP WITH THE COST.

RESPECTFULLY YOURS,

ROSEMARY K. POULSON
81 HIGH STREET
FARMINGTON, ME. 04938

No dent yet made in Somerset poverty

By Bruce Hertz
Mid-Maine Bureau

MADISON – Somerset County continues to be one of the poorest counties in Maine and 10 years of anti-poverty programs have not made a "significant dent" in reducing the rate of poverty or the numbers of poor people, said John Mahrose, president of the Kennebec Valley Community Action Program directors, on Wednesday.

Speaking at the agency's annual meeting held at the Lakewood Inn here, Mahrose said the agency is doing a good job at what it does, "but is it enough?" he asked.

He further asked the staff and the directors whether there is a proper mix in services and geography. Somerset and Kennebec counties, which are served by the agency, are very different places in terms of economics and poverty. Kennebec County continues to be rich of the "better-off" counties in the state and Somerset one of the "worse-off."

Mahrose wondered whether the agency was being flexible enough with its discretionary money to meet the latest developments and needs. Raymond P. Richard, KVCAP executive director, reported that the agency is doing affected not so much by cuts, but by a lack of growth. Funding for children's development and families with children have been stagnant for a while.

With increasing demands for such programs as day care, and reductions from federal government, cutbacks are inevitable. Kevin Rich, KVCAP deputy director, said programs like Head Start and Community Outreach which is improving [illegible] children's self-esteem and giving [illegible] an unique hands out of the [illegible] cycle.

[illegible] statistics have shown that children [illegible] in Head Start are more likely to complete high school and get [illegible] than children who [illegible] Head Start.

Mahrose said the decisions of the agency also have to be aware of the [illegible] to traditional human maintenance programs. An agency like the KVCAP might be wise to be involved in the implementation and advocacy of economic development and self-employment, he said.

KVCAP has been able to enroll 126 children in Head Start from an eligibility list of 565. The capacity of the Women, Infant and Children nutritional program is 1,900 from a list of 4,400 eligibles. Family Planning was able to serve 2,200 from a list of 6,800 people who said they were in need of service. The Central Heating Improvement Program completed 220 jobs from an application list of 1,800. About 10 percent of the weatherization waiting list of 6,500 is done each year.

The Information and Referral Service of the agency received more than 11,000 calls in the past 12 months.

Two municipal officials, Robert Garland, first selectman of Anson, and Larry Post, [illegible] manager of St. Albans, were asked how far town officers are willing to go to help people who don't have much hope.

Post said, "I'll do anything to help that individual, as long as it takes, as long as all resources are being used."

Garland said he had the same philosophy, but complained about the long time it takes for the federal government agencies to determine, medically, "if a person can work." He said there should be some interim assistance while Social Security is determining disability status.

Mahrose asked Garland and Post why they thought poverty was increasing in the face of the many assistance programs. It was Garland's estimation that many of the better jobs in the modern economy were open to those people who were technically skilled. The labor-intensive jobs characteristic of the shoe industry are disappearing.

The people seeking general assistance from the towns are the underemployed in the 40- to 50-year-old category whose jobs have evaporated, [illegible] young adults who just got outside [illegible] training.

[illegible] assistance reported the significant increase [illegible]

BEST COPY AVAILABLE

Sept. 21, 1985

P.O. Box 183
Locke Mills, ME 04255

Hon. John McKernan
Longworth House Office Building
Room 1535
Washington D.C. 20515

Dear Mr. McKernan,

Two years ago we came to Maine, from an area of high unemployment to look for work. Last year I began attending the University of Maine with the hopes of redeeming earlier college work. At the time, I was working in a local saw mill for $5.65 an hour while attending UMF part time. The wages from the job proved to be inadequate to support my family of a wife and two children.

This month I terminated my employment at the sawmill and began attending UMF full time with the intent of graduating in May of 1986. I have received a Pell Grant, a Guaranteed Student Loan, and a National Direct Student Loan. This money is being used for tuition, books and living expenses. After having settled our local debts incurred while employed at a low wage--two months rent, a two hundred dollar surgery bill, electric bill, phone bill and gas bill--we calculate that we have only enough to cover living expenses through the end of October. That is far from the end of the semester. Because I am a college student we are ineligible for food stamps. We need additional financial aid. Can you help us?

Sincerely,

Ronald A. Dorman

BEST COPY AVAILABLE

Lisa J. Beckwith
Stone Hall/ UMF
Farmington, Me 04938
September 24, 1985

Honorable John McKernan
Longworth House Office Building Rm. 1535
Washington, D.C. 20515

Dear Congressman McKernan:

I am twenty years old and currently a Junior majoring in Speech Correction at the University of Maine at Farmington. My home residence is in Kenduskeag, Maine where I live with my mother who is a retired disabled teacher. My father who passed away four weeks ago was employed for the past 20 years as a carpenter with the Cianbro Corporation. I have one sister and brother, both of whom are older than I. We have always been considered a middle-class family. My parents paid their taxes and gave many years to Social Security during their time of employment. They in essence, helped to support the government by paying these dues. It is now time that the government started supporting the educational system of it's country.

As our family unit changed so did our financial stability. I was able to receive some financial aid my freshman and sophomore years of college while my parents struggled to pay the balance of the high costs of education. It wasn't until after my father was unable to work because of an illness this year that I received more aid. My case is a prime example of how it is the middle-class families suffer economically. The rich in our country somehow keep getting richer while the poor remain unemployed, their education paid for as the government subsidizes their education. This I feel is highly unfair.

We need to put more money into education. It is through the educational process that we certify doctors, lawyers, teachers etc. These are the people that build our society; people that play vital roles in our lives. We need to finance more programs and give help to those students who without financial aid would not be able to go to college, because they couldn't get the financial back-up from their families.

We supposedly live in a nation of freedom. Freedom to speak as we believe, and freedom to choose. When a high school graduate is forced into the working world because he can't afford to further his education then we have taken away his right of choice. That one graduate could have someday been a physician, lawyer, politician or teacher. But, because we have limited his choice of what he someday could be, he will be of minimal importance tomorrow. Without proper education our nation will not continue to grow and be prosperous. We do not have the right to select who can and cannot go to college because of financial need. Everyone who wishes to get a college education should be given equal chance and equal financial support. If we further the education of our people than our nation will remain stable and tops.

Sincerely yours,

Lisa J. Beckwith

Lisa J. Beckwith